

The complaint

Mr B and Mrs K complain about the sale of two mortgages by Curo Advisers Limited.

What happened

Mr B and Mrs K took mortgage advice from Curo, a mortgage broker, in 2020. They wanted to buy a new property using a residential mortgage, while keeping their old property.

Curo advised them to take a residential mortgage with one lender I'll call S, and an interest only let to buy mortgage with another lender I'll call B. Both mortgage applications went through, and in due course completed.

Mr B and Mrs K complained. They said that they hadn't realised that the let to buy mortgage was interest only, and they would have wanted to take one on repayment terms. And they said there had been problems and delays in the advice and application process.

In particular, Mr B and Mrs K said, there had been delays caused by Curo. The solicitor Mr B and Mrs K chose was not on the panel of one of the lenders, so they changed solicitor. But Curo only notified one of the lenders of the change, meaning the other lender sent its mortgage offer to the wrong solicitor.

The purchase price of the new property increased during the process. Curo says it thought Mr B and Mrs K would pay the additional £3,000 themselves, but they said they needed additional borrowing.

This meant a new mortgage application to S. By this time, Mrs K was on furlough and her income had reduced. That meant that S offered less than before, meaning Mr B and Mrs K were now around £10,000 short. Their daughter agreed to gift them the funds they needed.

Mr B and Mrs K say that Curo didn't advise them that it was part of S's terms and conditions that a person gifting part of a deposit could not go on to live in the property. That meant that once they'd bought the new property, their daughter could no longer live with them – which has caused difficulties in their relationship with her.

Our investigator thought that for the most part Curo had handled things appropriately. The interest only let to buy mortgage was suitable for Mr B and Mrs K, and Curo was not responsible for the change in what S would lend or its terms and conditions. But she said that Curo had caused some delay in not telling both lenders of the change of solicitors, and recommended £150 compensation for that.

Mr B and Mrs K didn't think that was a fair outcome, and asked for an ombudsman to review their complaint.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Although a let to buy mortgage is not regulated, I'm satisfied that I can consider the entirety of this complaint, since the let to buy mortgage was sold alongside a regulated residential mortgage as one part of a single transaction. It's therefore, to put this in terms of our rules, ancillary to the regulated advice – and so a matter that I can consider.

Having done so, I don't think the let to buy mortgage was mis-sold. Mr B and Mrs K say they would have preferred a repayment mortgage and weren't told until the last minute that it was interest only. But I think the advice was clear, that this was always intended to be interest only. That's not unusual for a non-residential mortgage. And it keeps the monthly payments down – which was important in this case.

In respect of the residential mortgage, I don't think Curo wrongly applied for a mortgage for the wrong amount. The evidence suggests that it applied for the maximum S would lend based on Mr B and Mrs K's circumstances at the time. And the purchase price included in the first offer was the price the property was valued at – it was only later that Mr B and Mrs K told Curo that a further £3,000 would be needed.

I've looked at the communication between Curo and Mrs K in particular, and I don't think it was clear until relatively late on that Mr B and Mrs K wanted further borrowing to raise the additional £3,000. Once it knew this, Curo made a further application to S. But by this time, their financial situation had changed – Mrs K had been furloughed by her employer due to the covid-19 pandemic.

This meant that the lender reduced rather than increased the amount it was prepared to lend. I can understand why this was upsetting and frustrating for Mr B and Mrs K. But it wasn't Curo's fault – this was a decision made by the lender. The lender took into account that Mrs K was on reduced income and that there was uncertainty over how long that would continue. These were exceptional times, and many lenders took a similar approach. And there was nothing Curo could do about this – indeed, it seems it worked with the lender to maximise the loan amount.

I've reviewed the communication overall, and I think Curo kept Mr B and Mrs K up to date with everything that was happening. The application process did take some time, but as Curo explained at the time, lenders were under pressure at this time – their own operations were affected by the pandemic and related staffing difficulties, while at the same time the mortgage market was booming and demand very high. I'm aware from my knowledge of the industry and what I've seen in other cases that many mortgage applications took longer than had been the case in the past around this time.

However, there was some unnecessary delay, when Curo told only one of the lenders that Mr B and Mrs K had changed solicitors. Curo says this was a misunderstanding, and that seems most likely to me – but I do think Curo had a responsibility to make sure it was clear about exactly what Mr B and Mrs K wanted.

I'm satisfied that £150 compensation is fair for the delay this caused. I don't think it would be fair to require Curo to pay more than that, since overall it provided the service Mr B and Mrs K wanted, and – given the unprecedented circumstances of 2020 – within a reasonable time.

Finally, I've seen no evidence that Curo was aware until the last minute that the additional £10,000 needed to make up the reduction in S's mortgage offer was to be a gift from Mr B and Mrs K's daughter, or that she would be living in the property. Had Curo known that, I think it would have been reasonable for it to have drawn to Mr B and Mrs K's attention that it might not be possible under S's terms and conditions. But as it didn't know that, there was no reason for it to have told them about this particular issue.

Putting things right

In all the circumstances, I'm satisfied £150 is fair compensation.

My final decision

For the reasons I've given, my final decision is that I uphold this complaint and direct Curo Advisers Limited to pay Mr B and Mrs K £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs K to accept or reject my decision before 22 March 2022.

Simon Pugh
Ombudsman