

The complaint

Mr R and Mrs P are unhappy with the service they received from Home in One Financial Services Ltd (HIO) when they applied for a mortgage.

What happened

Mr R and Mrs P sought mortgage advice from a company which is the appointed representative of HIO. In this provisional decision, I'll refer to Mr R only for ease of reference.

After discussing Mr R's finances and needs, HIO's agent identified two potential mortgage products (from lenders 'A' and 'B') that met Mr R's needs, and which he met the qualifying criteria for. They were similar in cost but lender 'A' had a quicker application-to-offer turnaround time, which is the product Mr R chose, and agreed for HIO to submit an application on his behalf.

However, when submitting the application, HIO's agent failed to spot that the product she'd recommended and applied for was no longer available. She also failed to spot the product she actually applied for was at a higher interest rate than she'd told Mr R. And Mr R only became aware of this when he received a mortgage offer six weeks later.

Mr R was unhappy with this, and asked HIO to find out why this happened. HIO made enquiries, and it transpired a specialist mortgage product portal had mistakenly shown the 'lower' rate product to be available. However, HIO acknowledged their advisor would have known – at the point of making the application – the product wasn't available on the lender's website and should have seen the product she applied for was clearly at a higher interest rate. HIO made enquiries with lender 'A' to see if it would be prepared to honour the lower-rate, but the lender refused as the lower-rate product had in fact been removed from sale a few months earlier. This prompted Mr R to complain to HIO.

HIO admitted their advisor had made mistakes. HIO apologised for the misleading information provided by their advisor, and the poor service Mr R received. But HIO thought on balance, even after becoming aware the lower-rate lender 'A' product was never available, it's likely Mr R would still have chosen the higher rate lender 'A' product if it had been offered. They believe Mr R was driven by the need for a quick turnaround which this lender provided. So, whilst agreeing the advisor acted negligently in dealing with Mr R, HIO believed he hadn't suffered a loss as a result.

Mr R was also unhappy the advisor failed to tell him his chosen solicitor wasn't on lender 'A's approved list of conveyancers, meaning he'd ended up having to engage a different (approved) firm and in doing so duplicate some of his costs. HIO agreed and upheld this complaint. And as compensation for their service failings, and the duplicate costs incurred, HIO offered to waive their £425 fee and pay Mr R a further £400 compensation for the distress they'd caused.

Unhappy with this, Mr R brought his complaint to us. However, our investigator thought HIO's compensation offer represented a fair amount. So, Mr R asked for his complaint to be reviewed by an ombudsman, and it's been passed to me to consider and issue a decision.

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.

I issued a provisional decision on this complaint on 4 February 2022, in which I explained that I'd reached a different outcome to our investigator and intended to uphold this complaint. That provisional decision said as follows:

Dealing with the 'solicitor panel' complaint first, HIO admit their mistake caused Mr R to incur duplicate and avoidable extra fees. Mr R has told us that he incurred £433 in extra costs as a result of this. I think HIO's offer to waive their £425 fee provides fair compensation for these extra fees incurred, and I won't be asking them to do anything further in this regard.

Regarding the advice/application complaint, HIO have said they believe Mr R would still likely have chosen the more expensive product at the outset because of application processing benefits associated with lender 'A'. And further, HIO also said that even after becoming aware of the higher-rate mortgage offer, Mr R still wasn't close to exchange, and had enough time to seek alternative finance if he was unhappy with the rate but chose not to do this. I disagree on both counts.

So, the first thing for me to consider is what would Mr R have done had he been given accurate product information. Clearly, it's not possible to know this for certain, so I must consider what I think Mr R is most likely to have done. And, having considered what Mr R and HIO have said, I'm inclined to think Mr R would have chosen the cheaper lender 'B' product that HIO had initially identified.

HIO initially identified two products (from lenders 'A' and 'B') as suitable for Mr R. Both had very similar interest rates/cost. Lender 'A' had faster application-to-offer processing times than lender 'B', which Mr R agrees was a key consideration at the time. HIO have told us that lender 'A' had a processing time of just over two weeks compared to a minimum of four weeks (and sometimes much longer) for lender B. Also, HIO has told us there was a daily limit applied to applications for lender 'B', creating a potential uncertainty as to whether an application to 'B' would even have been possible. So, at the time of HIO's initial advice, it seems clear why Mr R chose the lender 'A' option.

But, whilst I acknowledge that speed/processing benefits were the driving force behind the initial choice, the issue of cost didn't need to be actively considered – because the products had almost identical rates. Or put another way, Mr R didn't need to weigh up the importance of cost against the better processing times lender 'A' provided. And whilst speed of processing was important, completion didn't take place until three months after the application was made – so there was some time for delays to be accommodated.

And Mr R now says, had he been provided with an accurate comparison at the time – between a quicker more expensive lender 'A' product, and a cheaper slower/less certain lender 'B' product – he'd have chosen to apply to lender 'B'.

I think this is supported by what Mr R did as soon as he was told the lender 'A' product HIO applied for was considerably more expensive. He asked HIO to challenge the rate he'd been offered, and HIO made various unsuccessful attempts to see if lender 'A' would agree to honour the lower rate. It appears that costs immediately became a key issue for Mr R. So, I don't agree with HIO's comment that, even had Mr R known he was applying for a more expensive product, he'd have agreed to it at the expense of the cheaper lender 'B' product. I

think it's more likely, when faced with an accurate choice, he'd have chosen the less expensive lender 'B' option.

HIO have also said Mr R still had a choice to accept the higher-rate offer or seek a new lender – and the fact he willingly chose to accept the higher-rate is evidence that it was the most suitable. However, by this time his completion deadline was approaching – he completed six weeks after this date. And I'm aware the completion coincided with a separate buy-to-let application/completion on an existing property, adding an extra layer of process/complexity to the transaction.

Mr R has told us that he chose to accept the higher-rate offer because, in the circumstances, he had no choice – the timing was too tight by then to risk starting another application process. And given the chronology I've set out – only six weeks until multiple completions – I'm inclined to agree with him. So, I don't think Mr R willingly accepted the higher-rate deal – on balance I think he felt he effectively had little choice but to accept it.

Mr R says he's ended up paying a lot more for his mortgage than would have been the case had he been able to choose the cheaper lender 'B' option. Given what I've said above, I think HIO is responsible for those extra costs, and should compensate Mr R for these – to put him in the position he would have been in, as much as possible, had he chosen the lender 'B' option.

HIO have confirmed the monthly cost of the 'applied-for' lender A product was about £108 per month more expensive than the original lender 'B' product. And over the two-year fixed term of each product, that amounts to £2,592 extra that Mr R had to pay. However, there were higher fees associated with the lender 'B' product which Mr R would have had to pay, which reduces that sum to £1,786. So, I think HIO should pay this to Mr R.

It's also clear this episode has caused Mr R a considerable amount of distress, something HIO have already acknowledged, and offered to pay £400 to reflect this. I think this is a fair amount in the circumstances and so I won't be asking HIO to increase it.

So, to conclude, I think HIO's offer to waive their £425 success fee provides fair compensation for the extra solicitor costs Mr R incurred. And their offer of £400 compensation for distress is fair. But I think HIO should pay Mr R £1,786 to reimburse him for the extra mortgage costs he's had to pay.

Both HIO and Mr R have responded accepting the above outcomes, without further comment.

My final decision

So, for the reasons set out above, Home in One Financial Services Ltd must pay Mr R and Mrs P £1,782 for the extra mortgage costs they've incurred, and – if not already paid to Mr R and Mrs P - £400 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr R to accept or reject my decision before 02 March 2022.

Mark Evans
Ombudsman