

The complaint

Miss L and Mr R complain that an appointed representative of Mortgage Advice Bureau Limited (MABL) misled them about the amount they'd be able to borrow. They had to raise money for a larger deposit at short notice. They ask for compensation for their financial loss.

What happened

Miss L and Mr R took mortgage advice from MABL in mid-2021. It made a mortgage application on their behalf. The application had to be changed after the property was valued at less than the purchase price. Mr R says MABL misled them that they'd be able to get a 95% mortgage. This wasn't the case and in order to proceed they had to find a larger deposit. They say if they'd known sooner they'd have negotiated a lower price with the vendor.

Our investigator said while MABL had made an error, the outcome would always have been the same. She said the £250 offered by MABL was fair in the circumstances. Miss L and Mr R didn't agree. Mr R said MABL misled them throughout the application process, causing them significant financial loss. He said they'd have acted differently if they'd been given correct information about the amount the lender would lend to them.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Timing is important to the outcome of this complaint, so I've briefly summarised what happened below.

19 May 2021: a decision in principle (DIP) was issued for a loan of £333,000. The loan was 90% of the agreed purchase price of £370,000. MABL made an application to the lender on behalf of Mr R and Miss L.

16 June 2021: the property was valued at £345,000. This meant the lender wouldn't lend £333,000. MABL asked Miss L and Mr R how they'd like to proceed. It said if they wanted to continue with that lender they'd need to re-negotiate the price or provide a deposit of £42,000 (this would have been the deposit required for a 95% LTV mortgage at the original purchase price of £370,000).

17 June 2021: Mr R said they'd agreed a lower price with the seller of £352,000. MABL said it would go back to the lender and ask for a loan of £328,000 (95% of £345,000).

21 June 2021: the lender asked MABL to choose a 95% LTV product. When it tried to do so, it found none were available for a mortgage of the amount Mr R and Miss L wanted. Mr R

and Miss L were told they'd need a 10% deposit to continue with that lender.

22 June 2021: a mortgage offer was issued for a loan of £311,000. Mr R and Miss L needed to find a deposit of £41,000.

Did MABL make an error?

I don't think it's fair to say that MABL gave Mr R and Miss L incorrect information throughout the process. The original application and DIP was for a 90% mortgage. Mr R and Miss L applied to borrow £333,000 with a deposit of £37,000. I haven't seen anything to suggest Mr R and Miss L were misled about this or that there was any reason why MABL needed to tell them at this point that a 95% mortgage wasn't available to them.

The situation changed on 16 June 2021, when the property was valued at £25,000 less than the purchase price. At this point, Mr R and Miss L were given incorrect information. They were led to believe that a 95% mortgage might be available to them. MABL ought to have checked that the lender would offer a 95% LTV mortgage and a suitable product. Mr R and Miss L were given correct information on 21 June 2021.

What effect did MABL's error have?

Having considered the available evidence, I don't think matters would have been different if Mr R and Miss L had been given correct information on 16 June 2021, instead of on 21 June 2021. I've explained why below:

- Timing was important to Mr R and Miss L. Mr R told MABL he wanted to stay with the same lender in order to complete by the end of June 2021. He says they'd given notice to leave the property they were living in, and their seller's position meant there wasn't time to switch lender or renegotiate. Mr R says the stamp duty holiday offered by the UK government (which was due to end at the end of June 2021) isn't relevant.
- While Mr R and Miss L could have started an application with a different lender on 16 June 2021 I think it's unlikely they'd have done so. There was less than two weeks before the end of June 2021. They couldn't have been sure an application to another lender would be approved in time – or at all.
- Mr R says if they'd known the lender didn't offer 95% LTV mortgages they'd have negotiated a lower price with the vendor. After the property was valued at £345,000, Mr R and Miss L agreed a lower price with the vendor. However, this was still about £7,000 more than the valuation. I think if they had been able to negotiate a lower price with the vendor they'd have done so after the valuation.
- Given that Mr R and Miss L agreed to pay more than the valuation, I think it's likely they were keen to go ahead with this property. I can't see why they'd have made a different decision if they'd been told they could only have a 90% mortgage on 16 June 2021.
- There's no guarantee the vendor would have agreed a lower price if Mr R and Miss L had known the lender didn't offer 95% loans on 16 June 2021. Ultimately, Mr R and Miss L could have decided not to go ahead with the purchase if they weren't happy with the price or the amount they were able to borrow.
- Mr R and Miss L's original application was made on the basis of a 90% mortgage with a purchase price of £370,000. If their application had proceeded on the basis of the original purchase price and the DIP, Mr R and Miss L would have needed a deposit of £37,000. It was only for the relatively short period (16 to 21 June 2021) that Mr R and

Miss L thought they'd only need a deposit of £24,000.

- Mr R said they had to find a deposit of £41,500 instead of £24,000 as they'd expected. But, as I say, until 16 June 2021 they'd expected to pay a deposit of £37,000.
- Mr R and Miss L did need to find an additional amount (about £4,500) to make up the deposit to £41,500. This wasn't because of the error by MABL. They needed a larger deposit because the valuation (on which the lender based the LTV calculation) was lower than the price they agreed to pay for the property.
- Mr R told MABL he'd pay the deposit from his savings. He said he could provide evidence of this and it wouldn't result in additional borrowing. If this wasn't right, or Mr R and Miss L did decide to take out more debt, I don't think MABL is responsible for this.

Mr R says they'd have had a lot more time to decide what to do if they'd been given correct information. They'd have had an extra five days. But, for the reasons I've given, I don't think Mr R and Miss L would have done things differently if they had been given correct information on 16 June 2021.

MABL offered compensation of £250 for any distress and inconvenience caused to Mr R and Miss L. I don't think Mr R and Miss L had any financial loss due to MABL's error – as I said I don't think they'd have done anything differently. And the misleading impression they were given about the amount they could borrow was put right in less than a week. I appreciate Mr R and Miss L were disappointed that a 95% mortgage wasn't available after all. Overall though, I think the £250 offered by MABL for the upset caused is fair and reasonable in the circumstances.

My final decision

My decision is that (if it hasn't already done so) Mortgage Advice Bureau Limited should pay £250 to Miss L and Mr R, as if offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L and Mr R to accept or reject my decision before 21 April 2022.

Ruth Stevenson
Ombudsman