

The complaint

Mr A complains that Bank of Scotland plc trading as Halifax told him he couldn't qualify for a mortgage with only a 5% deposit, because of his credit file. But it now says it will only lend on the property he wants to buy if he can pay a 15% deposit.

What happened

Mr A told us he applied for a mortgage on a shared ownership property. He said Halifax's website made clear that it would accept a 5% deposit. But when he went through his application, Halifax said he'd need to pay a 15% deposit, because of his credit history. But he checked his credit history, and everything was up to date. So he challenged Halifax, and it then said he had been given the wrong information. There was no problem with his credit file, but 15% is the minimum deposit Halifax will accept on a shared ownership property.

Mr A wanted Halifax to give him the 5% mortgage that it had advertised. And he wanted it to pay £1,000 in compensation for all the time he has wasted on the application, and the misleading information which he said resulted in financial loss, anxiety and depression.

Halifax wrote to Mr A, and in that letter it said that its policy was to require a 15% deposit for shared ownership properties. It thought that Mr A should have been told this sooner, so it offered to pay him £150 in compensation. But Mr A sent us screenshots from Halifax's website saying that it would accept a 5% deposit for shared ownership properties.

When we contacted Halifax about this complaint, it accepted that the information readily available to Mr A could be misinterpreted. It said that looking at all the information available for its mortgages, including information for mortgage intermediaries (which Mr A wouldn't have been able to see) it does ask for a 15% deposit on mortgages for shared ownership. Halifax said that its website does say that customers can purchase a property with a deposit made of as little as 5% of the purchase price. But it thought this didn't make clear whether this was 5% of the part that someone's purchasing, for shared ownership properties. And it doesn't include the full details of eligibility requirements.

Halifax said that at the time Mr A applied, it wouldn't lend more than 85% of the share being purchased, on a shared ownership property. And it wouldn't lend over 85% unless someone's credit score was high enough. It confirmed that Mr A's credit score was high enough for lending over 85%, the problem was just the sort of property he was buying.

Halifax accepted that on the call with Mr A, where he made his application, Mr A had said he wanted to pay a 5% deposit at the start of the call, and wasn't told then that this wasn't possible for a shared ownership property. And it also accepted that Mr A was incorrectly told that it wouldn't lend him more because of his credit score, when actually it was to do with the type of property he was buying.

Halifax wouldn't offer Mr A a mortgage now, based on a 5% deposit for the property he wanted to buy. But it would still pay him the compensation of £150 that it previously offered.

Our investigator didn't think this complaint should be upheld. She said that our service isn't a regulator, so we can't tell Halifax to change how it operates. We can only look at what Halifax has done, and consider what it's offered to try to put that right.

Our investigator accepted that the website may be confusing, but she thought it was clear that any mortgage would always be subject to application. And Halifax had confirmed that its current shared ownership policy was to ask all customers to make a 15% deposit. She knew Mr A said Halifax's employees confirmed that a 5% deposit was accepted, but Halifax did give Mr A the right information on the day he applied, which is that he needed to pay 15%.

Our investigator said that because Halifax just doesn't offer 5% mortgages for shared ownership properties, she didn't think it had to do that for Mr A now. But she did think that it should have told Mr A that he needed to pay a 15% deposit, at the start of his application.

Mr A said he'd lost £1,000, but our investigator said she hadn't seen evidence of this, so she couldn't ask Halifax to pay that. She thought compensation of £150 was fair and reasonable for the incorrect advice, and any distress and inconvenience this may have caused Mr A.

Mr A didn't agree. He said he'd repeatedly checked that it was possible to get a mortgage with only a 5% deposit before he made his application. Then he was told the problem was his credit history, which caused him anxiety, in case there really was a problem with his credit file. He had to get information from several credit reference agencies to check this.

Mr A said he applied again, and was told something different again, which was that Halifax uses a different method to check for mortgages with only 5% deposit, which was why he hadn't been offered one. He said he felt that Halifax was singling him out, and this caused depression and anxiety. So he decided to complain. He said it was only later that he was told that Halifax doesn't offer mortgages with only a 5% deposit on this sort of property, and the refusal wasn't related to his credit history. Mr A didn't think that £1,000 in damages was too much to ask for the misery Halifax had caused him.

Our investigator didn't change her mind. Because no agreement was reached, this complaint was passed to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Although any mortgage decision is made on an individual basis, so can't be guaranteed just from an advertisement online, the problem here isn't that Mr A's application failed. It's that the thing he was applying for just wasn't something that Halifax actually offered.

Halifax has accepted that its website is potentially misleading. And I think that's right. I think the wording on the website that Mr A pointed us to "*To get started, all you need is a 5% deposit towards the part of the home you're buying*" does say it is possible to get a mortgage on a shared ownership property with a deposit of only 5% of the share being purchased. So Halifax was advertising something which it's told us it just didn't offer at that time.

But our service isn't a regulator, and I can't punish or fine Halifax just for what its website says. I have to look at the impact on Mr A.

Mr A says that this affected him very badly, he was concerned about his credit file, so he was depressed, and unable to sleep for two weeks. He said he obtained details of his credit file, and then he decided to complain.

Halifax says that Mr A applied for this mortgage on 9 August. I can see he made his complaint on 10 August. Halifax's notes say he was told on that day that Halifax only offers mortgages on shared ownership properties for customers with 15% deposits. Those notes also say that Mr A was told on 10 August that a refusal to offer him a mortgage with only a 5% deposit was nothing to do with his credit file. And I can see that Halifax wrote to Mr A, to confirm this, on 13 August.

I do accept it would be disappointing to be turned down for a mortgage, and Mr A wasted time on an application which was never going to be suitable for him. I also accept he would have been concerned to be told, quite wrongly, he'd been turned down because of his credit file. But it does look as though Halifax corrected this information very quickly. And bearing that in mind, I do think its offer of £150 in compensation provides a fair and reasonable response to what's gone wrong here. So that's what I currently propose to award.

I know Mr A will be disappointed, but I don't think Halifax has to do more than that.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both parties replied. Halifax said it accepted my decision. Mr A didn't.

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.

Mr A said he strongly disagreed with the amount of compensation I proposed. He thought Halifax should pay more. He said Halifax clearly misguided him and wasted his time and efforts. He said its action resulted in anxiety and depression and negative thoughts. Mr A said if he wasn't awarded more, he would apply to review my decision, and would look to take the bank to court where he would push for even higher damages.

Mr A said that my decision was unfair, and hadn't taken into account the effects of Halifax's deliberately incorrect information. Mr A said there was never a problem with his credit history although Halifax had wrongly told him that his credit history was not good enough.

When Mr A brought his complaint to our service, he told us that Halifax had made a mistake, and that its actions caused sleepless nights for some weeks. In my provisional decision, I did accept that Mr A wasted time on an application which was never going to be suitable for him. I've taken that into account in the compensation I proposed.

I also accepted that Halifax made a mistake, when it told him that he'd been turned down for a mortgage because of something in his credit file. I understand this would have caused Mr A considerable concern at the time, and I've taken that into account too. But I also noted Halifax corrected this information very quickly, and I set out the timeline of events, as I understood it.

Mr A hasn't challenged this timeline. So I still think that, although Halifax did make a mistake, which would clearly have caused Mr A considerable worry, it also put this right the next day. And bearing all of this in mind, I still think that an award of £150 does provide a fair and reasonable outcome to this complaint.

Mr A has indicated that, if I didn't change my mind, he would want to appeal this decision. Unfortunately, Mr A has reached the final stage in our service's consideration of his case. If Mr A accepts this decision, then he and Halifax will be bound by it, and Halifax must make the payment that I've proposed. If not, then Mr A is free to pursue this matter by alternative means, including court, if he wishes. But our service cannot advise on that, and we aren't able to take this complaint any further.

I know that Mr A will be disappointed, but I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Bank of Scotland plc trading as Halifax must pay Mr A £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 4 August 2022.

Esther Absalom-Gough
Ombudsman