

The complaint

Mr G complains that TSB Bank plc didn't alert him to the fact that it wouldn't accept a loan from a friend in relation to a transfer of mortgaged property application. Mr G only found this out at the last minute under pressure of a court order and he had to apply to borrow more money at a higher rate of interest from TSB. Mr G says that he was denied the opportunity to get a more favourable interest rate from another lender and wants to be compensated for the difference.

What happened

Mr G approached TSB as he wanted to borrow £240,000 to buy out his ex-wife's interest in the former matrimonial home. TSB offered a mortgage of £219,995 with a five-year fixed rate product. Mr G approached a friend who agreed in February 2020 to lend him £20,000 for the balance. Completion was to be in September 2020 but by then Mr G had lost his job and needed a new mortgage offer to remortgage. Mr G got a new job in October 2020 and needed a new solicitor as the former one had gone out of business. Mr G's ex-wife, because of the delay in re-mortgaging started proceedings to sell the house and at a court hearing on 14 December 2020, the judge ruled that if the re-mortgage wasn't completed by 15 February 2021 that the flat should be sold. Mr G agreed a completion date for the remortgage of 9 February 2021.

On Friday 5th February 2021, just before the end of the working day, Mr G's conveyancing solicitor informed him of a one-line letter from TSB saying they were pulling the mortgage because the loan from his friend was "outside of TSB policy". Mr G called TSB and was advised that as "*it had gone to legal*" there was no way to proceed with the mortgage as agreed. On 8 February Mr G's mortgage broker told him that it was outside TSB's policy to accept a loan from a friend as it was viewed as a gifted deposit and the only way to complete by the time of the court deadline was to borrow an additional sum of £20,000 and pay a higher rate of interest of 1.79%.

Mr G says that over the course of a year he wasn't made aware that there was a problem with the loan from his friend, Mr G says that had he been made aware of the difficulty in good time that he could have got a mortgage from an alternative lender. Mr G says that in February 2021 a rate of 1.26% was available at a fixed rate for five years. Mr G lost his job because he was forced to take time off to deal with this crisis and was let go as it happened during his probationary period.

TSB said that Mr G had indicated in his discussions with it that he would make-up the shortfall either through savings or from borrowing from a friend. It accepted that the TSB adviser should have made it clear that borrowing from a friend was unacceptable. It offered Mr G compensation of £250.

Our investigator recommended that the complaint should be upheld, and that TSB provide further compensation of £200 because of the distress TSB's failure to alert him to the issue with the deposit had caused. But our investigator didn't consider that it was reasonable that

TSB make up the difference between the mortgage he is paying with TSB and the lowest available at the time. Mr G disagrees and asked for a review.

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 G was buying out his ex-wife's interest in a property and wanted to borrow that money from TSB. Mr G says that he was open from the start of the application process that in order to complete the transaction that he would need a friend to help him with a loan of about £20,000. TSB's case is that the mortgage adviser understood that this money was to be used as part of Mr G's payment to his ex-wife and not as part of the deposit for buying the flat. TSB has rules about gifted deposits and this money didn't fit within these rules so when the underwriters reviewed the application, they wouldn't sanction the loan that Mr G wanted. As a result, Mr G was forced under pressure of a court order to obtain extra borrowing from TSB but at a higher rate.

TSB accepts that it wasn't clear about how it would deal with the loan from Mr G's friend and agreed with our investigator that this would have caused stress to Mr G and further agreed with our investigator's recommendation that it pay £450 in total to Mr G by way of recompense. Mr G feels this is insufficient for his distress but also he should be compensated for having to take out the higher level of borrowing that he was forced to take out rather than given the opportunity to look to an alternative lender.

If I look firstly at Mr G's claim for financial loss. Mr G seems to have agreed that he would purchase his wife's interest in their flat and his failure to do so led to a court order which required this to be done by a certain date otherwise the property would have to be sold. The issue with the gifted deposit wasn't brought to Mr G's attention until the last minute which meant he felt that he had to do a deal with TSB and had no time to contact alternative lenders to apply for a mortgage at a better rate of interest than was available from the bank.

The problem for Mr G was caused by the deadline date of 15 February 2021. Without that, if Mr G had proceeded to completion, the issue of the gifted deposit would have come to light and Mr G could have looked to alternative lenders for the better deal that he believes was available. This application seems to have been around for some time and I note that a mortgage offer issued on 6 March 2020. If Mr G had been able to complete at an earlier stage the issue would have come to light and at that stage and could have been solved without pressure of the court order. It was Mr G's inability to complete earlier and that meant that his ex-wife got a court order which put the pressure on him.

But whatever may have caused Mr G not to complete at an earlier stage wasn't the fault of TSB. It received Mr G's application in February 2020 and issued a mortgage offer in March 2020 so Mr G could have completed shortly thereafter. Mr G seems to have lost his job at some time thereafter which would have affected his ability to complete but that's not the fault of TSB. Clearly this led to friction with his ex-wife and led to a court order. But again, the management of the case with Mr G's ex-wife and the setting by the court of a deadline was not in the hands of TSB. Mr G was clearly put under pressure by the deadline of 15 February 2021. But that deadline wasn't the fault of TSB but related to a matrimonial dispute between Mr G and his ex-wife. So, I don't believe that I can fairly hold TSB responsible for the financial decisions that Mr G felt he had to make because of that impending deadline if that deadline wasn't the fault of TSB and there is no evidence of unreasonable delay by TSB during the mortgage application process. Even if I were to accept that, I've not seen any definitive evidence that Mr G would have been able to get the more favourable mortgage

rate that he suggests he might have been able to get given that many lenders have similar policies about gifted deposits.

So, whilst I don't accept that TSB was the cause of Mr G's financial loss and I won't be upholding any claim for financial loss, I agree that there was a failure to identify the issue of the gifted deposit that would have caused Mr G a great deal of concern and disappointment that his original plan for a lower LTV and better interest rate couldn't be put into effect and the extra stress of arranging a new mortgage offer.

I don't feel that I can hold TSB responsible for his employer's response to Mr G taking time to deal with this issue or for the time taken by Mr G processing the complaint. TSB seems to have assisted Mr G fairly swiftly in obtaining an alternative mortgage offer and sometimes mortgages do take time to sort out and I can't hold TSB responsible for the actions of an individual employer and we expect that consumers will take time to process complaints but normally don't provide compensation for that.

Using our guidelines for compensation, I'm of the view that TSB's failure to alert him to the problem of the gifted deposit caused Mr G considerable disappointment and stress and required urgent action by him to sort the problem out although TSB was able to make a further mortgage offer fairly swiftly to avoid Mr G falling foul of the deadline date. I believe that £450 represents fair compensation and as this is more than was initially offered by TSB, I will be upholding this complaint.

Putting things right

TSB Bank plc should pay Mr G £450 in total as compensation.

My final decision

I uphold this complaint and require TSB Bank plc to pay Mr G £450 in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 October 2022.

Gerard McManus
Ombudsman