

The complaint

Mrs L's complaint is about the administration of her re-mortgage application to Darlington Building Society, as it took over a year from application to advance. This resulted in her remaining with her existing interest-only mortgage for longer than she needed to, the interest rate product she had applied for ceased to be available, and the replacement was for a higher fixed rate of interest.

In settlement of the complaint, Mrs L would like Darlington to refund the fees she paid for the re-mortgage of £1,400.

What happened

In November 2020 Mrs L had an interview with a mortgage adviser at Darlington. She had an existing interest-only mortgage with another lender, which was being charged interest at that lender's standard variable rate (SVR). The existing mortgage was approaching the end of its term and Mrs L has confirmed that she didn't have a way of repaying it. As such, she wanted to re-mortgage on a repayment basis with Darlington over a term of 22 years. At that time, Darlington didn't have any fixed interest rate products available to Mrs L, and so the mortgage was to be arranged on its SVR.

Mrs L was asked to provide various documents relating to identification, income, and her projected pension income. The last of the initial information requested was received by Darlington on 1 February 2021 and the application was submitted to be underwritten on 5 February 2021.

Due to the term into retirement, additional information was needed to evidence how the mortgage would be paid beyond retirement. Original identification documents were also required. This information was all received by 13 May 2021 and referred to be assessed on 25 May 2021.

Darlington reviewed the application and sent it back to the mortgage adviser for further information about Mrs L's pension, but the mortgage adviser didn't act on the instructions. This didn't happen until after Mrs L chased Darlington on 9 August 2021. Due to the delay, Mrs L was required to attend another mortgage interview and provide her identification and income documents again.

On 18 August 2021 Mrs L's second meeting with the mortgage adviser happened. It was explained that there were now two fixed interest rate products available to her: a three-year rate of 4.39% or a five-year rate of 4.49%. Mrs L opted for the five-year rate and her application was resubmitted. The fees for the mortgage and interest rate product of £1,119 were to be added to the mortgage. The application was submitted the same day.

The pension information Darlington had wanted May 2021 was received on 3 September 2021. Following this some further information was requested and supplied by Mrs L. The application was accepted, and a mortgage offer issued on 27 October 2021. The mortgage was advanced on 17 December 2021.

Darlington upheld the complaint and offered Mrs L £150 compensation for the errors that had occurred and the poor service she had received. It acknowledged that there was a delay between May and August 2021 that was due to its inaction.

Mrs L wasn't satisfied with the offer Darlington made and referred her complaint to us. Following this, Darlington reviewed its conclusions and issued a further final response letter. It set out further detail of what had happened and when, and apologised again for the errors made and the service Mrs L had received. It also apologised that the full circumstances of the complaint hadn't been considered when it had originally been considered. Darlington increased its offer to £500.

One of our investigators considered the complaint, and he recommended that it be upheld. He concluded that, but for Darlington's mistakes, the mortgage would have completed in May 2021. As such, he considered Darlington should complete a financial assessment to determine if Mrs L had suffered a financial loss due to the delay in the re-mortgage and having to pay an additional six months of interest-only payments to the previous lender.

Darlington responded by confirming that it didn't agree that the mortgage could have completed in May 2021. It also set out the various elements contained in its offer of £500:

- £50 for staff member error in May 2021
- £50 for the complaint not being investigated thoroughly and Mrs L having to escalate it.
- £100 for the additional branch visit and the new application and follow up activities.
- £50 for the inconvenience of having to provide further documentation for the new application.
- £200 for the distress the process caused Mrs L
- £50 for the additional interest that would be incurred due to no capital having been paid off the mortgage.

Darlington highlighted that during the period of the delay, Mrs L was paying lower mortgage payments than she would have been had the re-mortgage progressed and completed as it should have. It confirmed that it believed the re-mortgage took between three and six months longer to complete than it did. It asked that the complaint be referred to an ombudsman for consideration.

The investigator considered what Darlington had said. He concluded that during the period of the delay, as Mrs L would have been paying a higher rate of interest on the mortgage with Darlington, she probably hadn't suffered a financial loss. However, he concluded that as the mortgage should have completed in May 2021, Mrs L should be allowed to overpay her mortgage by the amount of five monthly payments, to reduce the term, without incurring any charges.

Mrs L repeated that she wanted the fees added to her mortgage refunded, and asked that the complaint be referred to an ombudsman. Darlington also disagreed with the investigator's findings and asked that the complaint be referred to an ombudsman.

I issued a provisional decision on 23 November 2022, setting out my conclusions and reasons for reaching them. Below is an excerpt.

'I have considered the delays that occurred in this case. It is clear that there was the delay between 25 May 2021 when Mrs L should have been asked for more information and 9 August 2021 when she contacted Darlington to ask what was happening. This is appropriately 11 weeks. The information that was needed at that time appears to have been received on 3 September 2021, around four weeks after it was asked for. Had there not

been a delay in asking for the information, I think it reasonable to say that the information would have been received in the fourth week of June 2021.

Further information, which had not previously been asked for, was then asked for on two occasions. During the further assessment of the first responses, it appears there was another week of delays. Once those queries were answered on 1 October 2021, the valuation was commissioned, and the application accepted when it was returned as confirming Mrs L's property was suitable security.

Based on the actual times it took for the various enquiries and activities that needed to be completed, I am satisfied that, but for the delays caused by Darlington, the mortgage offer would likely have been issued at the beginning of August and the mortgage completed in the second half of September 2021 – around three months earlier than it did.

During those three months Mrs L continued to pay her existing mortgage. As the mortgage was on an interest-only basis and a lower rate of interest, the payments were around £60 less than what she would have been paying to Darlington. Given this, I don't consider that she suffered a financial loss in those three months, given that she paid out less than she would have if she'd been paying the Darlington mortgage. However, it does mean that Mrs L's new mortgage will be paid off three months later than it otherwise would have been.

When considering redress we aim to place a consumer in as close a financial position as possible to that which they would have been in had the mistake by the lender not happened. In this case that would be for the mortgage to have started and ended around three months earlier. Had the original application gone through, Mrs L would have been paying a higher rate of interest from the outset, so the delay has meant that she paid less interest monthly during the period of the delay. However, she would also have paid a small amount of capital off the mortgage in the initial three months, although not much, which would have reduced the amount of interest being paid on an ongoing basis. So Mrs L has both benefitted from the delay and been disadvantaged by it. Given the sums involved I think it likely that she has, overall, benefitted in relation to the amount of interest she will pay, but I note that Darlington has included £50 in its offer to her for any additional interest. I think this is a fair offer in the circumstances.

If Mrs L, within six months of my final decision, wishes to reduce the capital balance to the level it would have been at the point she makes the payment, Darlington should allow her to do so without any early repayment charge applying. If that happens, Mrs L should be given the choice to maintain the same level of payment for the remainder of the fixed rate product term to facilitate the repayment of the mortgage by the point it should have been paid off but for the delay. At the end of the term, it would be for Mrs L to discuss her payments and the duration of them with Darlington.

Darlington has accepted the level of service it provided Mrs L with, including the assessment of her concerns, wasn't what it should have been. It's offered £450 compensation for the worry and inconvenience she suffered. Given the timescales involved, I think this is a reasonable sum in the circumstances.

Mrs L has asked that the fees she paid for the mortgage to be refunded. I don't consider that would be appropriate. Those fees were paid in order for her to obtain a mortgage and the fixed interest rate product she wanted. She received both of those things and so it is reasonable that she has to pay for them.'

Mrs L responded to my provisional decision saying that her point was that she could have been on a repayment mortgage almost a year sooner. She said the service she received was atrocious, she wasn't kept up to date with what was going on and she had to call

Darlington to get updates. Her understanding is that the fees were charged for admin and arranging the product; as these arrangements were not carried out effectively in a professional manner, the fees should be refunded.

Darlington confirmed that it had received the provisional decision and it had no additional information it wanted considered.

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 note that Mrs L believes that the re-mortgage could have completed almost a year before it did. I considered before I issued my provisional decision when it was likely that the re-mortgage would have completed if the mistake by Darlington hadn't happened. I have reconsidered the evidence, but I remain satisfied that the error caused a much shorter delay of around three months.

As Mrs L was aware that she was paying less than she would have been paying Darlington, she could have set aside the difference, and the redress set out in my provisional decision would allow her to reduce the outstanding capital to the level the mortgage would have had, but for the mistake. If she does that and then maintains the mortgage payments set under the fixed rate, along with the interest payment made by Darlington as part of its offer, she will be in the same position as she would have been in had the delay in completion not happened. It would be for Mrs L to discuss the further arrangements for the term and ongoing payments when she reached the end of the fixed interest rate term.

While I can understand why Mrs L would like the application and product fees to be refunded, I remain satisfied that this would not be appropriate. As I said in my provisional decision, the fees were paid in order for Mrs L to have a mortgage and a special interest rate product, both of which she received. The £450 offered for the poor service and administration is a suitable offer in the circumstances.

My final decision

My decision is that I uphold this complaint in part. I am satisfied that the offer Darlington Building Society made adequately compensates Mrs L for the any additional interest she might pay on the mortgage and the worry and inconvenience the delays caused. In addition, it should allow Mrs L to reduce the capital balance of the mortgage and maintain her existing monthly payments in order to effectively reduce the term, as detailed above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs L to accept or reject my decision before 10 January 2023.

Derry Baxter
Ombudsman