

The complaint

Mr A and Miss W said when they applied for a mortgage with Lloyds Bank PLC, it mistakenly conducted a very large number of hard credit searches. They complain about how this impacted their mortgage applications, and want Lloyds to cover the resulting extra costs.

What happened

Mr A and Miss W told us they applied for a mortgage with Lloyds in August 2021. Lloyds made a mistake, and carried out a total of 22 hard credit searches against each one of them, which were recorded on each of their credit files. They said they didn't buy a property then, so only found out about this when they applied again to Lloyds for a mortgage in January 2022.

Mr A and Miss W said that because Lloyds then failed to delete the hard searches when they asked, they nearly lost the property they were trying to buy. They also said they weren't able to get the best mortgage offer available at the time, because Lloyds hadn't removed all the searches right away. They wanted Lloyds to pay the resulting extra costs, which at the time they said amounted to many tens of thousands of pounds.

Lloyds has accepted that something went wrong here, although it isn't sure what. It has, however, accepted responsibility for these mistaken searches. It's also accepted that the complaint that Mr A and Miss W wanted to raise wasn't lodged when they first raised this. It said it thought they first tried to raise a complaint on 7 February, but the searches weren't removed until 31 March.

Lloyds said it was sorry, and it offered to pay £500 in compensation. It also offered to consider reimbursing the additional costs that Mr A and Miss W incurred.

When this case came to our service, Lloyds said it now thought that Mr A and Miss W tried to raise this problem with it on 8 February. It said that it could see a mortgage offer with a second bank Mr A and Miss W obtained on 3 February. (I won't name the other banks involved here.) But it didn't have any confirmation that the reason they'd been turned down for that was the searches on their credit file. And if the problem was the searches on their files, then Lloyds said it wanted to know why the email it had sent to Mr A and Miss W, accepting responsibility for those and confirming they would be removed, hadn't helped.

Lloyds said it knew that Mr A and Miss W had obtained a mortgage with a third lender, but it didn't think that meant that the application from 3 February, with the second lender, would've been successful. And Lloyds said Mr A and Miss W were asking it to pay between £10,000 and £50,000, but it just didn't think they'd shown losses of this size.

Our investigator didn't think this complaint should be upheld. (I won't set out his reasoning here, as I haven't adopted it.) Mr A and Miss W strongly objected. They wanted their complaint to be considered by an ombudsman, so this case then came to me for a final decision. And I then reached my provisional decision on this case.

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:

I only set out the issues that Mr A and Miss W experienced quite briefly above. That's not to downplay the impact of the mistakes that were made here, but simply because Lloyds has accepted responsibility for what went wrong. Most of the facts aren't really in dispute, although I should note I do think it's likely that Mr A and Miss W complained on 7 February, as Lloyds originally said, not 8 February, as it later suggested. But I haven't needed to assess the facts in detail, because Lloyds has accepted responsibility for what went wrong. I can simply say I think it was right to do so.

When this case came to me, I wanted to explore how Mr A and Miss W sought to mitigate the impact of Lloyds' mistake on them, and also to gather a little more evidence of the additional costs that Mr A and Miss W said they faced. So I wrote to them, explaining a little more about how our service views compensation, and what would assist me in assessing their complaint. I thank them for their helpful response, and additional evidence on this.

Mr A and Miss W have shown us details of the mortgage they applied for with the second bank, and the mortgage they eventually obtained with the third bank. They said they would now have to pay over £2,000 more overall, over the course of the first five years of this mortgage. I've considered the evidence they have provided, and I think that's right.

Lloyds said that we couldn't be sure that Mr A and Miss W would actually have been successful in their application with the second bank, if the extra credit searches hadn't been on their credit file. Whilst that's right, I note that it's quite unusual for a bank to provide written confirmation of the reasons why a mortgage application is declined. So I don't think it would be reasonable to require Mr A and Miss W to provide that here. I think it's simply most likely that Mr A and Miss W's application with the second bank was declined because of these searches. And given that they were successful in their applications both with Lloyds itself, and with the third bank (which assesses such applications in a different way) I think it's more likely they would have been successful with their second application too, if the searches hadn't been there.

Lloyds also wanted to know why the email it sent, accepting responsibility for the searches on Mr A and Miss W's credit file, hadn't helped. Mr A and Miss W said they'd sent this to their broker, and he'd advised them that this wouldn't make any difference to the application process, they should wait until the searches were removed. It seems doubtful that they would really have anticipated, on 22 February when this email was sent, that removing the searches would take as long as it did. I also note that this email refers to 18 mistaken searches, and Miss W's credit file shows rather more searches from Lloyds than this. In the light of this, I don't think it was unreasonable for Mr A and Miss W to rely on their broker's advice, and wait for searches to be removed. I'm not clear that this email could ever have been as useful as Lloyds had hoped.

For those reasons, I think it's reasonable to ask Lloyds to pay the extra costs that Mr A and Miss W will pay onto their mortgage over the first five years, while their rates are fixed. So I'll ask it to pay Mr A and Miss W £2,027.64 as part of the award I'm proposing.

Mr A and Miss W also said that their property purchase was in danger of collapsing, and to stop their seller putting the property back on the market, they'd had to agree to exchange and complete on the same day. They said that because their mortgage offer

was only confirmed at the last minute, that meant they had to pay an extra month of rent, which they've shown us was £1,100 per month.

The evidence that Mr A and Miss W have sent us suggests that their rent ran from the 23rd of each month. And they appear to have purchased their property on 31 March. So I think they were always likely to have paid almost an extra month of rent, on their old property, just because these dates didn't match. It also looks as if they received a mortgage offer on 18 March, and could then have given notice on their rented home. So I don't think Mr A and Miss W were obliged to pay more than an extra month of rent, because of the late arrival of this offer.

Considering the above, I don't think it's reasonable to ask Lloyds to pay for additional rental costs, for Mr A and Miss W, as part of the compensation in this case.

Lloyds has also already offered £500 in compensation, to take account of the stress that these mistakes caused to Mr A and Miss W. I think that provides a fair and reasonable outcome to this part of their complaint, but I understand this hasn't yet been accepted and paid. So I will include this in my proposed award.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Lloyds said it didn't have anything to add. It was happy to accept my provisional decision.

Mr A wrote to say he and Miss W were happy with the provisional decision. But then Miss W replied to say she felt I'd missed something out. She said that the second bank was going to pay them £750 in cashback. She wanted me to consider adding that onto the award in this case. She said it was a lot of money, which they had lost out on because of Lloyds' error.

I understand that the second bank Mr A and Miss W applied to for a mortgage, did offer £750 in cashback on completion. But it also charged a fee of £995 for the mortgage. In total, £1,025 in fees would have been added to that loan. So the cashback that Mr A and Miss W would have received would have been far outweighed by the fees charged on this loan, which of course Mr A and Miss W would have had to pay back over the lifetime of the mortgage, with interest.

The mortgage Mr A and Miss W then secured had a far more modest £35 in fees.

I appreciate that Mr A and Miss W missed out on the chance to get an injection of cash when they were moving. And I understand this can help with the proliferation of expenses at the time of a house move. But that cashback wasn't free money. In the longer term, I do think it's most likely that Mr A and Miss W are better off without that cashback, given the larger amount of additional borrowing (in the form of fees added to the loan) that came with it. That's why I don't think it would be reasonable to ask Lloyds to pay them that cashback amount now.

For those reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Lloyds Bank PLC must pay Mr A and Miss W £2,027.64 to cover their additional mortgage costs, and £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Miss W to accept or reject my decision before 13 February 2023.

Esther Absalom-Gough
Ombudsman