

The complaint

Miss W complains about the service received from Bank of Scotland Plc trading as Halifax when she made an application for a further advance on her mortgage. She said she was led to believe the application had been approved but it was subsequently declined. As a result, Miss W has had to fund the cost of essential repairs on more expensive unsecured debt.

What happened

Miss W has a mortgage with Halifax. She contacted Halifax to borrow an additional amount to fund home improvements along with other changes to her existing mortgage. Miss W said that Halifax cancelled a number of appointments at short notice and that it treated her differently when it found out she was disabled.

When Miss W spoke to Halifax, she said she was told the application had been approved. Based on that she paid builders for work on her kitchen. But Halifax later told her the application had been declined. Miss W complains about the service from Halifax, that it led her to believe the further advance had been approved and that its decision to decline the further advance was flawed. She said that she has had to fund the work through unsecured debt and that has caused her serious financial difficulty – she has had to extend the term of the mortgage so that she can afford her other debt payments.

The investigator thought that Halifax should pay Miss W £300 to reflect any distress and inconvenience caused by the way it dealt with Miss W.

Halifax accepted what the investigator said. Miss W did not. She made a number of points, including:

- She believed the application had been approved and that is why she went ahead with the builder.
- She was now over £6,000 in debt, which she is struggling to repay and has left her in serious financial difficulty.
- Halifax should give her the further advance. If it doesn't she will be left with no choice other than to sell her home.

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.

Halifax is entitled to use its judgment to decide who to lend to and how much to lend. I would not usually look to interfere in that if the decision reached was fair and reasonable in the circumstances.

Miss W was looking to increase her borrowing. So it was reasonable for Halifax to consider her creditworthiness when making a decision whether to lend or not. I'm satisfied that Halifax

considered the application fairly and it was a reasonable decision for it to decline the further advance based on the information it had. I don't consider the decision to decline the application was unfair. There was no requirement for Halifax to consider an appeal from Miss W.

Miss W said that Halifax led her to believe that the application had been approved. I've listened to the relevant phone call that Miss W had with Halifax. It recommended the further advance as being suitable for Miss W. Amongst other things, it told Miss W that the application had been referred to underwriters because of limited information on her credit file. It said the referral was "*quite standard*" and that she had a "*fantastic pass*" in relation to her credit score. It also sent Miss W a "*digital acceptance*" for her to sign and return.

Halifax went on to say "*...it's gonna be fine. It's just a case of when I come and say yep it's offered, it means that we are ready to release funds. There's nothing for you to worry about. I just need to do the underwriting which is just the formality bit of it. Unless you do something incredibly naughty overnight, I don't see any reason why it would change unless my system updates with something, but there is nothing on there at the moment.*"

I agree that Halifax could have done more to explain what was happening in a clear, fair and not misleading way. I also agree that it overstated the application's prospects of success. But considering everything that was said, I think it would be difficult to interpret what was said as a firm undertaking that the application had definitely been approved – it was clearly waiting for confirmation that the further advance had been offered.

The mortgage illustration also said clearly and prominently that "*This document does not constitute an obligation for Halifax, a division of Bank of Scotland plc to grant you a loan.*" Halifax told Miss W a number of times that it was important that she read the information she had been sent. I can't see any paperwork from Halifax that could reasonably be interpreted to be an irrevocable offer of additional borrowing to Miss W.

Looking at all of the information that Halifax gave Miss W, I don't consider it was reasonable to understand that the additional borrowing had been agreed. I accept that Halifax could have done more to set out its process and given a more balanced explanation of the application's prospect of success. But based on all of the information given to Miss W, I don't consider it would be fair or reasonable for me to say that Halifax was responsible for her decision to begin work and incur costs.

There was nothing in the call to suggest that Halifax discriminated against Miss W or that it treated her differently when it found out she was disabled. I agree that it could have done more to check Miss W's understanding and explain things better. In view of that and bearing in mind what Miss W has told us about the service overall, I agree that £300 is fair amount to reflect any distress and inconvenience caused to Miss W. But for the reasons I've explained I don't consider that Halifax is responsible for any costs Miss W incurred in deciding to begin work before she had received a formal mortgage offer.

If Miss W is experiencing financial difficulty then she should talk to both her secured and unsecured lenders. They have an obligation to treat her fairly and may be able to offer her help, depending on her circumstances.

My final decision

My final decision is that Bank of Scotland plc should pay Miss W £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 22 March 2023.

Ken Rose
Ombudsman