

## **The complaint**

Miss W and Mr T complain about the advice they received from Fluent Mortgages Limited when they re-mortgaged. They say it made errors which meant they had a funding shortfall. They had to find additional funds at short notice.

Miss W and Mr T ask that Fluent compensates them for the amount of the shortfall plus an amount for their distress, inconvenience and embarrassment.

## **What happened**

Mr T and Miss W contacted Fluent in early 2022. They wanted to re-mortgage and take out additional borrowing to repay their help to buy loan. Fluent recommended a mortgage and Mr T and Miss W received a mortgage offer in early March 2022.

A valuation of the property was carried out in March 2022 to establish the cost to Mr T and Miss W of repaying the help to buy loan. The property was valued at £15,000 more than expected. This meant the cost of repaying the help to buy loan was also higher than estimated when Fluent recommended the mortgage. Mr T and Miss W say Fluent should have told them this in March 2022. They say they had no idea until their solicitor asked them to pay a shortfall of about £3,000 in early May 2022. Mr T and Miss W had to ask family for the money.

Fluent said it should have re-assessed the mortgage after being told about the higher than expected valuation. It offered £300 compensation for the upset caused.

Fluent says it asked the lender if it would increase the mortgage loan, but it declined saying this didn't pass its affordability tests. Fluent said interest rates had gone up, and Mr T and Miss W would have had to pay a higher interest rate if they'd re-applied in March 2022. It said because they kept their lower interest rate product, Mr T and Miss W were better off.

Our investigator said Mr T and Miss W had to pay the shortfall at short notice and this was stressful. But the alternative would have been to re-apply for a larger mortgage loan. The higher interest rate would have meant the mortgage would have cost about £7,000 more over the term. This was more than the shortfall.

Mr T and Miss W didn't agree. They said they understood that their repayments would increase and the overall cost of the mortgage might be more. But the recommended mortgage didn't meet their needs, as their intention was to repay the help to buy loan. They said Fluent should have looked at mortgages on offer in March 2022, not in June 2022 when rates were at an all-time high. They said due to the delay they were on their lender's standard variable rate (SVR) and had to pay for a second property valuation. They are now repaying money to a family member, which means they can't save for a family holiday.

## **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 T and Miss W took mortgage advice from Fluent in early 2022. Their mortgage product was due to expire at the beginning of May 2022. They wanted a new product and additional borrowing to repay their help to buy loan. The amount needed to repay the help to buy loan was estimated based on a desk top valuation of Mr T and Miss W's property. Fluent told Mr T and Miss W that the administrator of the help to buy loan would give them the exact amount.

Fluent applied for a mortgage on behalf of Mr T and Miss W and a mortgage offer was issued on 10 March 2022. The offer was valid until 8 June 2022.

The process to repay the help to buy loan required a valuation of the property, which would be used to calculate the amount needed to repay the loan. The valuation was carried out by a RICS surveyor and Miss W received the report in mid-March 2022.

Miss W spoke to Fluent the next day (16 March 2022). I've listened to a recording of this call. Miss W said the valuation was £15,000 more than they'd expected. Miss W asked if that meant they'd need more money? Fluent's staff member asked if the report had come from the solicitors, which Miss W confirmed. Fluent's staff member said she didn't think it changed anything, but Miss W should call the solicitor and check with them. She said this was their usual advice when the documents hadn't come from Fluent. The staff member said Miss W could call Fluent back if the solicitor didn't help or if she was unsure.

The administrator of the help to buy loan issued a letter on 10 April 2022 stating the redemption amount for the help to buy loan. It's unclear from the available evidence when Miss W and Mr T received a copy of this.

Miss W says on 9 May 2022 she received an email from the solicitor saying there was a shortfall of about £2,800. She says this was the first time she'd been told this. Miss W contacted Fluent.

Fluent asked the lender if it would increase the loan. The lender said it couldn't increase the loan amount, as this wouldn't pass its affordability checks.

Miss W and Mr T were in a difficult position. They had a mortgage offer which wasn't enough to repay their existing mortgage and the help to buy loan. They didn't have savings available to cover the shortfall. Applying to a different lender would have taken time, the outcome wasn't certain, and interest rates had increased. The process for repaying the help to buy loan had deadlines to meet.

A family member gifted the money to Miss W and Mr T. The family member provided the relevant confirmations required by the lender, such as this being a gift that didn't need to be repaid. Miss W says sorting out the shortfall led to delays in completing the re-mortgage. They had to pay for a re-valuation of the property to be carried out in late June 2022. And they were on their previous lender's SVR while the matter was sorted out.

Fluent accepts it made an error. It said it should have reassessed the mortgage amount after being told in mid-March 2022 about the higher property valuation. It offered compensation of £300. While I know Miss W and Mr T will be disappointed, I think this is fair and reasonable compensation in the circumstances. This is for the following reasons.

First, I don't think Fluent was solely responsible for Miss W and Mr T being unaware of the shortfall until so late in the process. Miss W and Mr T say that Fluent told them at the outset that the administrator of the help to buy loan would send a statement of how much they

needed to pay. This was issued in early April 2022. As I said, I don't know when Miss W and Mr T received the statement, but I can't see that Fluent was responsible for any delay in them receiving it. That's not to say that Fluent didn't make an error, it should have realised it would need to assess the mortgage again. But, as it told Miss W and Mr T, the process and cost of repaying the help to buy loan were matters dealt with by the administrator and the solicitor. It's not clear why Miss W and Mr T weren't aware of the cost of repaying the help to buy loan until May 2022.

Second, the shortfall wasn't itself a financial loss for Miss W and Mr T. This was the amount needed in addition to the mortgage loan to repay their existing obligations. If they'd taken out a larger mortgage loan they would have had to repay it – although the repayments would have been spread over the mortgage term.

Third, I don't think Miss W and Mr T have a financial loss as a result of Fluent's error. I appreciate there were delays while Miss W and Mr T sorted out funds for the shortfall. They were on their lender's SVR in the meantime, and they had to pay £110 for the property to be revalued. On the other hand, they kept the benefit of a lower interest rate product.

The Bank of England increased the base rate in early February 2022, mid-March 2022 and early May 2022. Fluent says the interest rate product secured by Mr T and Miss W had been withdrawn by mid-March 2022. If they'd re-applied to the lender for a larger loan, they'd have had to pay a higher interest rate, and the overall cost of their mortgage would have been higher (by over £7,000). It seems likely they'd have had to pay a higher interest rate if they'd applied to other lenders. Mr T and Miss W say they were prepared to do this, to meet their aim of repaying the help to buy loan. Nonetheless, they are now benefitting from the lower interest rate.

It's possible Miss W and Mr T wouldn't have been offered a larger mortgage, especially given increases in interest rates and living costs at that time. Miss W says if they'd re-applied elsewhere and been unable to raise enough to cover the shortfall they'd have pulled out of re-mortgaging. I can't see that there was anything to stop them from pulling out of this re-mortgage, if that was what they wanted to do.

Overall, I don't think Miss W and Mr T have a financial loss as a result of Fluent's error. But they were caused upset and inconvenience when they had to find the shortfall at short notice. Mr T and Miss W might have decided not to reapply, or been unsuccessful in reapplying, for a larger mortgage even if Fluent had told them they needed more funds in March 2022. But they would have had more time to sort matters out. Miss W and Mr T had to approach family members for the funds, and ask them to provide the information required by the lender. I can understand this was embarrassing. I think it was right that Fluent offered compensation for the stress and inconvenience of having to arrange funds to cover the shortfall at short notice. I think £300 is fair and reasonable in the circumstances.

### **My final decision**

My decision is that I uphold this complaint. I order Fluent Mortgages Limited to pay £300 to Miss W and Mr T (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Miss W to accept or reject my decision before 14 March 2023.

Ruth Stevenson  
**Ombudsman**