

The complaint

Mr M complains that Mortgage Advice Bureau Limited (MAB) incorrectly led him to believe he'd be approved for a mortgage and that he incurred costs as a result.

What happened

Mr M sought to obtain a mortgage in relation to purchasing a property. In March 2022, Mr M obtained an application in principle (AIP) through MAB, a mortgage broker.

Mr M then approached a different broker in relation to obtaining a mortgage for a different property and was informed he wouldn't qualify.

Mr M returned to MAB and applied for a mortgage with a high street bank. This application was declined on the basis of Mr M's income and adverse credit information. Mr M then applied for a mortgage with a second lender via MAB but withdrew from this application in May 2022. This second application cost Mr M £150.

Mr M complained to MAB and said that it ought to have informed him that he would be unlikely to get a mortgage at the beginning. He said if it had done so, he wouldn't have proceeded with a purchase and incurred preliminary costs. Mr M also raised customer service concerns in relation to incorrect and conflicting information being provided.

MAB said that it wasn't aware of a default on Mr M's credit file when it made the first application and that it was Mr M's choice not to proceed with the second lender. MAB said that lenders can ask in depth financial questions to assess an application against their own internal criteria. MAB offered Mr M £150 compensation as a gesture of goodwill.

Mr M didn't think this was enough, he said he'd paid £800 in solicitors fees, application fees, and a deposit which he wouldn't have done if he'd known he wouldn't have been able to get a mortgage. He said he had informed the mortgage adviser at MAB of his default history over the telephone.

When Mr M complained to our service, the investigator thought MAB's offer of £150 was a fair way to put matters right. They said they couldn't know if Mr M's second application would have been successful and it was Mr M's decision not to proceed. The investigator didn't think MAB was responsible for the costs Mr M had described.

Mr M asked for the matter to be passed to an ombudsman for a final decision.

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.

Having done so, I think the offer MAB has made to pay Mr M £150 is fair in the circumstances. This is for the following reasons:

- Whilst MAB provided Mr M with an AIB, this is a preliminary stage and they are not a

guarantee that a mortgage application will be successful. Many different issues can come up in the purchase of a property, and it's not unusual for a lender to ask for further information where this is needed to progress a mortgage application. It was Mr M's decision to incur costs in relation to the prospective purchase before he'd received a formal mortgage offer and so I don't think it would be fair to expect MAB to reimburse Mr M for these.

- Mr M was aware there was an application fee of £150 for the second mortgage application when this application was made. So, I don't think it was incorrect for him to have paid this fee at the time. Based on the evidence available, Mr M didn't incur any other costs as part of either mortgage application – as there was no fee for his first application and the valuation had not yet taken place for his second application.
- There's some discrepancy around whether MAB ought to have known that Mr M had a default on his credit file before the first application was made, and therefore whether it ought to have known this application was likely to be unsuccessful. However, if it was the case that MAB did know about the default, taking this and the other customer service issues Mr M has described into account, I think MAB's offer to pay Mr M £150 compensation is enough in the circumstances. This is because this would be sufficient to reflect what Mr M has described – i.e. being given poor service in the form of conflicting information and the disappointment of an application being unsuccessful.
- On the information available, I can't see that Mr M would not have been able to obtain *any* mortgage, nor can we now know if his second application would have been successful. It was Mr M's choice not to proceed with that application.

Putting things right

For the reasons explained, I think MAB should pay Mr M £150 if it hasn't done so already.

My final decision

My final decision is that Mortgage Advice Bureau Limited should pay Mr M £150 compensation if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 April 2023.

Stephanie Mitchell
Ombudsman