

The complaint

This complaint is about a mortgage Mr R took out on the advice and recommendation of a broker firm that is part of Connells Limited. He's unhappy that the mortgage offer Connells arranged expired before his new home was ready to move into and the new mortgage offer that replaced it was on a higher interest rate.

What happened

The broad circumstances of this complaint are known to Mr R and Connells. I'm also aware that the investigator issued a response to the complaint, which has been shared with all parties, and so I don't need to repeat all of the details here. Instead, I'll provide a brief summary of the key points, and then focus on the reasons for my decision.

Mr R was referred to Connells to arrange his mortgage by his housebuilder; he was buying a home that was scheduled to be ready to occupy in October 2022 (albeit that would later be delayed). A mortgage offer was issued by a lender I'll call H in May 2022, with an expiry date of 30 September 2022. Mr R says Connells' advisor assured him there was a process for extending the offer, but what actually happened when he tried to invoke that was that H issued a new mortgage offer. As interest rates had risen in the interim, the new offer came with a higher interest rate, which Mr R has calculated will cost him more than £5,000 over the initial fixed rate period.

When he complained, Connells apologised and admitted it could have explained things better. When the case came to us, our investigator agreed that Connells had failed to manage Mr R's expectations correctly, but didn't consider it fair that Connells should be liable for Mr R's increased mortgage payments. Instead, he recommended it pay him £100 compensation for not properly explaining at the outset that a new offer (not an extension of the original offer) could be at a different interest rate.

Connells agreed to pay the £100, but only if Mr R did too. It said that if Mr R sked for the case to be reviewed by an ombudsman, it would ask for a review too. Mr R did ask for the case to be reviewed by an ombudsman, and it has come to me.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First of all, Connell's isn't to blame for the mortgage offer expiring and having to be renewed; that's a function of the build schedule, which was always open to variation. Meanwhile, I'm satisfied that both Connells and Mr R knew, or should have known, that the first offer from H would expire before the property would be ready, even if it had not been delayed.

It's not in dispute that Connells gave Mr R an inadequate explanation of what would happen when the original offer expired. Based on what it told him, Mr R thought the original mortgage offer would be extended on the same terms. What he needed to understand, and Connells needed to have told him clearly and unambiguously, was that a new offer would replace the original, and that the interest rate on the new offer might be different. I say "different" because the new rate could have been lower, if the wider trend in interest rates generally had been downward rather than upward.

So this was a communication failure on Connells' part, and I have to consider the impact on Mr R of that failure. In asking for the case to be reviewed by an ombudsman, Mr R has reiterated his belief that he's £5,000 out of pocket due to Connells' poor communication. I do understand why he thinks that, and I'm not unsympathetic towards his strength of feeling. However, I don't agree that Connells caused that extra cost, and I'll explain why.

Where a business gives information that is wrong (or in this case unclear) our aim is to put the consumer in the position they'd be in if the right information, free from any ambiguity, had been given in the first place. The reality here is that the extra amount Mr R has to pay on his mortgage was always going to happen, regardless of what Connells told him or failed to tell him.

That's because interest rates generally, and H's rate specifically, rose between the first and second offer. The only way that situation could have been avoided is if the house had been ready ahead of schedule, and Mr C had been able to complete on the terms of the first offer. But if Connells had explained things to Mr R properly at the outset, it would not have come as such a shock to him when H issued the new offer with the higher rate.

I've no doubt it did come as unwelcome news to Mr R, a first time buyer for whom everything that unfolded was a new experience. For the stress this caused him, I consider £100 compensation to be fair and reasonable in all the circumstances.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement, I direct Connells Limited to pay Mr R £100.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 3 July 2023.

Jeff Parrington

Ombudsman