

The complaint

Ms G and Mr I complain that the appointed representative of Cornerstone Finance Group Ltd recommended that they take out a mortgage product that proved to be unsuitable.

What happened

Ms G and Mr I took advice from a broker, Cornerstone, about a remortgage in June 2022. Their mortgage product was due for renewal in October 2022. The broker sourced several quotes and in August Ms G and Mr I applied through the broker for a mortgage based on the broker's recommendation. The chosen lender issued a mortgage offer in September 2022. Ms G and Mr I say that they understood that they agreed a fixed interest rate of 2.25% but the rate was changed to 2.75%. The advised mortgage was in fact a discounted variable rate tracker mortgage. Cornerstone confirmed that this was the case at the end of September and Ms G and Mr I cancelled their application. The broker returned the broker fee of £350 as a gesture of goodwill.

Cornerstone didn't uphold the complaint saying that the documentation sent to Ms G and Mr I clearly set out what product they were applying for. Our investigator recommended that this complaint should be upheld as she felt that Ms G and Mr I may not have understood fully the options that were available to them and suggested compensation of £200. Ms G and Mr I disagreed as they wish to be compensated for the increase in the interest rate that they are now having to pay.

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.

This is a complaint about a recommendation in the summer of 2022 when Ms G and Mr I looked for advice on a mortgage product. The broker recommended to them a discounted variable rate tracker mortgage. The broker said the reason for that was is to meet their objectives as stated in the Letter of Suitability "*You wanted a discounted standard variable rate in the current situation which is slightly cheaper than a fixed rate*". I note the fact find also refers to this discounted rate being cheaper than the fixed rate. So, it seems that the recommendation was issued because the interest rate on this discounted tracker rate was cheaper than a fixed rate that would have been available to Ms G and Mr I.

I noted that other reasons were given by the adviser for Ms G and Mr I choosing this rate including avoiding early repayment charges and facilitating their desire to benefit from a fall in interest rates. It's not clear to me from the fact find that Ms G and Mr I had a need to avoid any ERC or that they imagined that interest rates would fall and wanted to avoid a fixed rate to take advantage of that. There is no record of a discussion about future interest rates or their attitude to that in the fact find so I'm not sure how the adviser could come to that conclusion.

So, my view is that some of the conclusions in the recommendation aren't supported by the evidence in the fact find. I believe that the adviser considered that in his view the

recommended mortgage product was the cheapest product for Ms G and Mr I and tailored the recommendation accordingly. I believe that in particular he failed to properly consider whether this type of discounted tracker product was suitable for Ms G and Mr I's requirements. There is no evidence of a discussion about their view of whether interest rates would change and in what direction and why they apparently wanted to avoid an ERC. So, I intend to uphold the complaint on that basis.

That said, all the documentation sent out fairly states what type of product this is and that they were choosing a rate that would change if interest rates changed so I'm content that Ms G and Mr I should have known what was being offered when they accepted the offer.

In compensation I agree that it was reasonable for Cornerstone to refund the broker fee. I also agree that Ms G and Mr I should receive compensation for their disappointment with Cornerstone's failure to provide a proper service and I assess that at £200. I don't believe that Cornerstone was responsible for any financial loss they may have suffered. Cornerstone isn't responsible for the increase in interest rates which would have caused Ms G and Mr I to pay more on the current mortgage.

Putting things right

Cornerstone Finance Group Ltd should pay Ms G and Mr I £200.

My final decision

I uphold this complaint and require Cornerstone Finance Group Ltd to pay Ms G and Mr I £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G and Mr I to accept or reject my decision before 2 November 2023.

Gerard McManus
Ombudsman