

The complaint

Mr and Mrs G complain that Connells Limited wrongly told them that their existing mortgage offer could be extended. They ended up paying much more each month, because it couldn't.

What happened

Mr and Mrs G obtained a mortgage offer through a broker, Connells, in April 2022. Their offer was valid until 22 September 2022.

Mr and Mrs G were buying a new home. Unfortunately, their purchase was delayed, and in August 2022 they sought assurances from Connells that their mortgage offer could be extended. Connells said it could. Mr and Mrs G then asked to transfer the offer to a different property. But in early October, Connells told the couple that they couldn't transfer the offer, as it had expired.

Mr and Mrs G then obtained a new mortgage offer, but they said they'd expected a fixed interest rate of 2.55%, and they'd ended up having to take a much higher rate, of 4.08%. So their monthly payments were much bigger. They said Connells had only offered £450 for its mistake, and that wasn't enough to make up for what had gone wrong.

Connells accepted it had made a mistake, because it had told Mr and Mrs G that their April mortgage offer could be extended, when it couldn't. But it said it wouldn't pay the difference between the mortgage payments Mr and Mrs G were expecting, under the offer that expired in September, and the mortgage payments they were making now. That's because Mr and Mrs G could never have got this better interest rate, they just weren't able to buy their new home while the April mortgage offer was still valid.

Connells said it would pay them £450, to make up for their disappointment.

Our investigator didn't uphold this complaint. I won't set out his reasoning in detail here, as I haven't agreed with it. Mr and Mrs G didn't agree, so the case was passed to me for a final decision. I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

On 18 August 2022 Connells told Mr G that the existing mortgage offer would run until April 2023, at the same rate. That was wrong, and Connells accepts that it shouldn't have said that. Connells continued to say this to Mr and Mrs G, until early October.

What Connells ought to have told Mr and Mrs G in August, was that the mortgage offer they had obtained in April was expiring soon, and couldn't be extended past 22 September. So, whilst Mr and Mrs G could continue with their existing purchase, or transfer the offer to a new property, that wouldn't give them very long to buy either property.

If Mr and Mrs G had been given the right information in August, I don't think it's likely that they would have been able to complete either purchase before this offer expired – we know that their first choice of property had delays to completion, and the second wasn't ready at the start of October. But I think they did have another option, if they'd been correctly advised by Connells in August, which was to obtain a new mortgage offer.

I think it's likely that if Mr and Mrs G had been told in August that the April mortgage offer couldn't be extended, then they would have looked to obtain a new mortgage offer quickly. Interest rates had by then been rising for some time, and it's likely that Mr and Mrs G would have anticipated further changes. I can see that Mr and Mrs G acted very promptly, both in seeking reassurances from Connells about their expiring offer, and indeed, in seeking a new offer, once they were finally told that their April offer had expired. So I think they would probably have started the process of obtaining a new mortgage offer right away, if Connells had given them correct advice on 18 August. I think it's likely that this revised application would have been submitted at the start of the following week, on 22 August.

But Mr and Mrs G didn't make a new mortgage application in August, because they didn't find out that their April offer had expired until later. It looks, from the notes I've seen, as if Connells was told by the lender that the offer had expired on Friday 30 September, and it passed this information on to Mr and Mrs G On Monday 3 October.

Mr and Mrs G then acted right away, they sought and obtained, a new mortgage offer from a different lender.

We don't know whether this second lender would have been able to offer a lower rate than they eventually got, if Mr and Mrs G had made their application on 22 August 2022. But if Mr and Mrs G could have obtained a mortgage from that lender for the same amount, on the same property that they eventually bought, but at a slightly lower interest rate, on 22 August 2022, then I would say it was fair and reasonable to ask Connells to pay the difference. I think asking Connells to pay that now, would be part of providing a fair and reasonable outcome to this complaint.

So I will ask Connells to obtain, from the second lender that Mr and Mrs G applied to, details of the interest rates which would have been available to Mr and Mrs G from that lender in October 2022, if the same application had been made on 22 August 2022. I'll ask Connells to use this information to work out how much less Mr and Mrs G would have paid, over the fixed interest rate period, if they had applied on 22 August for the mortgage that I understand they secured in October 2022, and then actually took out around December 2022.

This should be on a like-for-like basis, so the same lending amount, the same overall term and the same fixed rate period, although if the fees for this lending would have been different, then Connells may allow for any difference in fees which would have been charged on any application made on 22 August 2022. Connells should then pay that amount to Mr and Mrs G, as a lump sum. That will assist with both past and future mortgage payments for Mr and Mrs G.

Connells has also offered Mr and Mrs G £450 in compensation for the upset and disappointment that they faced when they realised that they wouldn't be able to get the rate they'd applied for in April 2022, of 2.55%. I think it remains appropriate to include this compensation payment to reflect what actually happened, and their disappointment, so I'll include that in my award too.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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 G said my decision didn't secure the interest rate that he and Mrs G had planned on, but he could accept it, if Connells was fair with the rate that would have been available in August. He said there had been a noticeable rate rise just before they signed their mortgage.

My provisional decision explained that the offer Mr and Mrs G obtained, with the rate they had planned on, would always have expired before they were able to buy the property they wanted. So Mr G would unfortunately never have been able to get the rate he planned on, even if Connells hadn't made a mistake. And I have no reason to think that Connells would not comply with my proposed decision in full.

Connells said it would accept my proposal. It said it had contacted Mr and Mrs G's lender, and if the application had been submitted on 22 August, then the monthly payment would have been £1,719. The monthly payment on Mr and Mrs G's current mortgage is £1,803.57, a difference of £84.57. So Connells said that, over 60 months, the amount due would be £5,074.20. Adding the agreed compensation, Connells said that complying with my decision would mean a total payment to Mr and Mrs G of £5,524.20.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Connells Limited must obtain from the second lender that Mr and Mrs G applied to in October 2022, details of the interest rate it would have been able to offer on the same lending, if this application had been made on 22 August 2022 instead. Connells must then work out the difference, if any, between the payments Mr and Mrs G are making now, and the payments they would have made, over the fixed interest rate period of their mortgage. Connells must pay any resulting amount to Mr and Mrs G, as a lump sum.

Connells Limited must also pay Mr and Mrs G £450 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 22 May 2023.

Esther Absalom-Gough
Ombudsman