

The complaint

Mr C and Mrs Z's complaint is that, because of poor customer service by Connells Limited, they missed out on the chance to apply for a mortgage product switch at a rate of 2.14% with their existing lender.

Mr C and Mrs Z eventually took a product switch at 3.79% with their existing lender. They want Connells to reimburse them for the difference between 2.14% and 3.79% over the term of the interest rate product. Mr C and Mrs Z would also like Connells to reimburse the £499 lifetime broker fee they paid in 2020.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr C and Mrs Z being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Briefly, Mr C and Mrs Z had a mortgage on a two-year fixed rate product with a lender I will call AC which they'd taken out in 2020 through Connells. AC is a lender that only accepts applications from mortgage intermediaries, such as Connells. In the spring of 2022 Connells contacted Mr C and Mrs Z reminding them of the need to review their mortgage, as the fixed rate product was due to finish at the end of July 2022.

On 8 April 2022 Mr C and Mrs Z spoke to an adviser at Connells, R, who explained that AC had a product at a rate of 2.14% that could be fixed for two, three or five years, but that interest rates were likely to change soon. On 20 April 2022 Mr C sent in documentation R had requested. Mr C called Connells on 25 and 26 April 2022 but wasn't able to speak to R.

It wasn't until mid-June that Mr C tried to contact R again. On 1 July 2022 an illustration was prepared for a 3.03% two-year fixed rate mortgage with a new lender, S. No application was made for that product.

In mid-July 2022 Mr C and Mrs Z spoke with another adviser, M, who explained that R was on long-term sick leave. After several conversations, mostly with Mr C, where M discussed the pros and cons of re-mortgaging to a new lender or taking a product switch with AC, in July 2022 Mr C and Mrs Z took out a new two-year fixed-rate product with AC, at a rate of 3.79%, over a 28-year term with a 75% loan-to-value ratio (LTV). The mortgage went onto AC's Standard Variable Rate (SVR) for August 2022 before the new product was set up.

Mr C and Mrs Z complained about the poor service they'd received from Connells. Mr C, who has dealt with the complaint throughout, said that if R had returned his calls, he would have had the 2.14% fixed rate he'd discussed with her in April 2022.

Connells looked at what had happened and agreed its service hadn't been of the standard Mr C and Mrs Z should have received. Connells offered compensation of £350 for distress and inconvenience, and £84.63 redress, which was the additional interest paid when the mortgage went onto on SVR for the month of August 2022.

Mr C and Mrs Z didn't accept this and brought the complaint to our service. They wanted Connells to pay the difference between the 2.14% rate and the 3.79% rate for the duration of the two-year fixed rate, until 31 October 2024.

Our investigator didn't think Connells should be required to pay the additional interest because Mr C and Mrs Z had not made a formal application for the 2.14% rate. He thought the offer to pay the £84.63 interest for August 2022 was fair in all the circumstances. But the investigator thought Connells should pay an additional £150 compensation, making the compensation for distress and inconvenience £500, and the total compensation £84.63.

Connells agreed to pay the additional £150, but later withdrew its consent when Mr C asked for an ombudsman to review the complaint. Mr C said he would accept 50% of the interest differential in settlement, but Connells didn't agree to this.

As the matter is unresolved, it falls to me to issue a decision on the complaint.

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.

Where a mistake has been made, we try, wherever possible, to put the consumer in the position they'd have been in if the mistake hadn't been made. Connells has accepted it could have done better, so what I need to decide is what is a fair and reasonable way to compensate Mr C and Mrs Z for its errors.

The crux of this complaint is that Mr C and Mrs Z believe they lost out on a rate of 2.14% because of inaction by Connells. However, I'm not persuaded that this is the case, and I'll explain why below.

First, I'm satisfied that Connells made it clear on 8 April 2022 that the 2.14% rate wasn't likely to be available for long. I'm also satisfied Mr C and Mrs Z were aware that a £99 fee would need to be paid before the application could be made.

Generally fixed rate mortgage products are only available for a limited time, as the lender borrows funds in the wider financial markets which in turn allows it to offer a product at a particular fixed rate. Borrowers apply for a portion – or tranche – of the funds, and once all tranches have been reserved, the product is withdrawn. Mortgage brokers are not told in advance when this will happen, as it is led by customer demand, which cannot be predicted.

I don't know precisely when the 2.14% rate was withdrawn by AC, but I am satisfied that it wasn't available by the time Mr C and Mrs Z contacted Connells on 20 April 2022. That's because on or around 20 April 2022 AC withdrew all its product transfer mortgages and re-launched them, with the lowest 2-year fixed-rate 75% LTV product being at 3.01%. The evidence is persuasive, therefore, that the 2.14% rate wouldn't have been available at the end of April 2022 in any event.

After submitting their documents to Connells on 20 April 2022 and leaving two messages on 25 and 26 April 2022, it wasn't until mid-June 2022 that Mr C and Mrs Z tried to contact Connells again about their mortgage application. Although Mr C says he didn't speak to R and his calls weren't returned, I can see that a Key Facts Illustration was prepared by R on 1 July 2022 for a mortgage at 3.03% with another lender. I think it's unlikely that would have been done without any instructions from Mr C and Mrs Z. However, no application was made for that product.

I have noted that when Mr C spoke to M in mid-July 2022, Mr C said that in early April 2022 he'd seen another competitive rate with a High Street lender (that is, a lender that borrowers can apply to directly, rather than through a broker). It was at a slightly higher rate than the 2.14% with AC, but now (in July 2022) he wished he'd gone for that rate and applied for a mortgage with that lender.

So I'm satisfied that Mr C was looking around at other lenders, and comparing rates. It was also widely reported in the news between April 2022 and June 2022 that interest rates were going up. Yet, according to his own phone records, Mr C made no contact with Connells after 26 April 2022 until he called on 15 June 2022. And, as I've noted, Mr C had already looked at rates offered by at least one other lender.

I think it would have been reasonable for Mr C and Mrs Z to have mitigated their position either by escalating matters with Connells much sooner than they did, or by looking for a new mortgage elsewhere. But given that they waited six weeks before contacting Connells, I'm not persuaded that it would be fair or reasonable to hold Connells responsible for interest rate increases that took place during the six weeks of inertia by Mr C and Mrs Z.

I'm also not persuaded that Connells is required to refund the lifetime broker fee of £499 which Mr C and Mrs Z paid when they took out their first mortgage with Connells in 2020. They used Connells' services at that time, and under the terms of the lifetime broker fee agreement, the fee is not refundable if a mortgage application is completed, which it was in 2020.

Putting things right

Connells has accepted that its service fell short, which was due to R falling ill. It's acknowledged that someone else should have picked up Mr C and Mrs Z's case. I am glad to see that, when M took over in mid-July 2022, a new product was put in place quickly.

Connells has agreed to pay compensation of £350, plus the £84.63 difference between SVR and the new rate for the month of August 2022. I agree with the investigator, however, that compensation of £500 should be paid for distress and inconvenience, making total compensation of £584.63. But for the reasons given above, I'm not persuaded Connells should be responsible for reimbursing Mr C and Mrs Z for the difference in the 2.14% rate and the 3.79% rate over the two-year fixed-rate period.

My final decision

My final decision is that I partly uphold this complaint. In full and final settlement I direct Connells Limited to pay Mr C and Mrs Z £500 compensation for distress and inconvenience, and £84.63 for the additional interest they paid in August 2022. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs Z to accept or reject my decision before 11 December 2023.

Jan O'Leary
Ombudsman