

The complaint

Mr W complains about the delay and resulting cost to him when Bank of Scotland plc trading as Halifax processed his mortgage application.

What happened

Mr W is self-employed and had a mortgage with Halifax. The mortgage had a fixed rate product which meant that if the mortgage was redeemed within the fixed rate period an early repayment charge ("ERC") would be payable. Mr W decided to downsize and repay some money he owed his mother in the process. In order to port his mortgage product, Mr W applied for a new mortgage with Halifax to buy a new property. But the application failed to meet the affordability criteria and was referred to Halifax's underwriters.

There was a delay in processing the application and Mr W decided to purchase the new property without a mortgage from Halifax. He also sold his existing property and paid an ERC. Then Halifax told Mr W that the existing mortgage application couldn't proceed as he now owned the property and would have to wait six months before making an application to remortgage a property that he now owned.

Halifax accepted that there were delays in reviewing the documents submitted by Mr W and offered compensation of £80. Our investigator felt that this was inadequate compensation for the delay and suggested further compensation of £100. Mr W disagreed saying in summary that if he had waited for Halifax's offer that its likely that his sale and purchase would have fallen through.

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 W wanted to port his mortgage to another property and to do that he had to apply for a new loan on that property, which Halifax had to agree to. There is undoubtedly delay by Halifax in processing the application including from 29 June to 27 July 2022 when documents on Halifax's file weren't reviewed, when the mortgage adviser went on holidays and the application wasn't progressed, and for three weeks in September when documents again weren't reviewed. I can see that the application wasn't straightforward as Mr W's application failed affordability, but this was being reviewed by the underwriter. Unfortunately, we don't know the outcome of that review as Mr W decided to purchase the property without a mortgage and the existing mortgage application lapsed.

The reason the application lapsed was that Mr W bought the property with his own money. Mr W says that this was because of Halifax's delays. It's not unusual for there to be a delay in a lender issuing a mortgage offer for whatever reason. This may hold up completion for a short period. What is unusual here is that Mr W went ahead and bought the property without waiting for a decision on the mortgage application. I appreciate that he could do that because he had the money. But it meant that he no longer qualified for the mortgage he was applying for.

I can find no evidence on file that Mr W informed Halifax before he did this that it was his intention to do so, and he appears not to have sought advice from Halifax of the implications of doing so. I appreciate that there was a delay in Halifax reaching a decision on the case, but it doesn't follow that this delay forced Mr W to purchase the property himself so denying himself the opportunity to continue with the existing mortgage application. Mr W says that if he didn't do it that he was likely to lose the sale and purchase. But there is no evidence on file of that and I recognise that there are often delays in completions because of late mortgage offers but these can usually be managed. So, I can't hold Halifax at fault for Mr W's choice to proceed without waiting for the mortgage decision. That of course resulted in him paying the ERC under the terms that applied to his mortgage product offer,

I do agree with our investigator that there was a delay in Halifax processing the application which would have been frustrating for Mr W and that compensation of £180 is fair in the circumstances. I note that £80 of this has already been paid. On that basis I uphold this complaint and require Halifax to pay an additional £100.

Putting things right

Bank of Scotland Plc trading as Halifax should pay Mr W £100 in addition to the £80 already paid.

My final decision

I uphold this complaint and require Bank of Scotland Plc trading as Halifax to pay the compensation set out above.

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

Gerard McManus
Ombudsman