

The complaint

Miss H and Mr W complain that Mortgage Advice Bureau Limited trading as Moneybox gave them the wrong figures as to what their lender would lend on their property. In order to make up the difference they sold Miss H's car which proved to be unnecessary. As a result, they have had a financial loss by selling the car and having to buy a similar one back.

What happened

Miss H and Mr W used Moneybox as a broker to access a loan to purchase a new residential property and needed to borrow the maximum available. The purchase price was agreed at £135,000. In June 2021, the Moneybox adviser assigned to their case told Miss H that her lender had valued the property at £125,000 which meant that the maximum loan available at 95% loan to value ("LTV") was £118,750.00. The broker told them that they would need to access an additional £10,000 to complete the purchase. Miss H and Mr W negotiated a reduction in the price of £4,000. They now faced a £6,000 shortfall - in addition to the shortfall they had budgeted for - and Miss H sold her car.

But when the mortgage offer came from lender, there was a retention of £1,000 but the property was valued at £130,000 with a maximum loan amount of £123,500 (less £1,000 retention). Moneybox says that it was acting on information provided to it by the lender. Miss H says that the incorrect information forced her to sell her car and to put her back in the position she had been in - to replace the car - would require compensation in excess of £3,000.

Our investigator's view

Our investigator upheld the complaint in part and recommended compensation of £300 for Miss H and Mr W's distress and inconvenience but didn't feel that they had been financially disadvantaged. Miss H and Mr W disagreed saying in summary that the misinformation from Moneybox forced Miss H to sell a car and that the replacement cost including interest on a loan requires fair compensation.

My Provisional Decision

As my view of this complaint differed in part from our investigator and as I came to my conclusions based on different reasons I issued a Provisional Decision as follows. I said:

"There is no doubt that a mistake was made here by the mortgage adviser. It appears that the adviser understood that with the property being downvalued in its current state that the lender would base its valuation on that value and would only lend, on her calculations. £118,750.00. In fact, the lender was willing to lend £123,500 less retention.

In one sense this all turned out alright for Miss H and Mr W. Following the broker's error, they were able to negotiate a reduction in the price of their house which has led to a reduction in the mortgage from the original application for £128,049.00 to the accepted offer of £123,500. That works out as a saving on the mortgage of about £4,500 together with the interest on that which would be paid over the lifetime of the mortgage.

The difficulty they faced was that besides getting a reduction on the property price, they understood they would have to get more money to make up the difference between the £131,500 and the incorrect figure of £118,750 or £12,750. I note in the application form that their joint income is £75,000 and they had savings of £7,000. So, about £6,000 was required. Ms H thought it best to sell the car which seems to have been a very expensive way of financing this given that Ms H says that now to put her back on the road with a similar car would now cost in excess of £3,000.

I do accept that there's a financial cost to Miss H and Mr W of the broker's mistake. Fair compensation for them would be the costs of borrowing the £6,000 for the period that they needed it. That would be the usual way of raising the money and Miss H and Mr W had joint incomes of £75,000 and in stable employment and it's reasonable to assume they would have access to borrowing that amount of money. But this money would have only been required for a short period and the loan then redeemed.

On the other hand, I have to set off the benefit that accrued to Miss H and Mr W from this misinformation. As set out above, they negotiated a lower price and had to pay a lower mortgage as a result. I appreciate that part of the impetus to approach the estate agent was from the downvaluation and part from being told that they would have to borrow money as a result of the mistake. But in any case, it seems to me that the financial benefit that accrued to Miss H and Mr W far outweighs any financial compensation that I would consider awarding them. So, I don't consider on balance that they suffered a financial loss. But this error must have been upsetting to them at a particularly stressful time when they were moving into their first home and had them looking for extra finance that they didn't need. I'm also sure that they must have found it upsetting that Moneybox didn't admit its error and apologise to them for it. "

Finally, I said that I intended to uphold this complaint and award Miss H and Mr W compensation of £500. I invited Miss H and Mr W and Moneybox to consider my Provisional Decision and if they wished to provide me with further evidence or make further submissions to do so by 28 April 2023. Miss H and Mr W accepted my Provisional Decision and Moneybox didn't provide further comment.

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.

I've set out in my Provisional Decision the reasons why I came to my conclusions. I note that since issuing this decision, Miss H and Mr W have confirmed they are happy with it and Moneybox make no further comments. In light of this and after considering the evidence and my Provisional Decision again I am content that it represents a fair outcome to this complaint and so I will be upholding it for the reasons and on the terms set out in my Provisional Decision.

Putting things right

Mortgage Advice Bureau Limited trading as Moneybox should pay Miss H and Mr W £500.

My final decision

I uphold this complaint and require Mortgage Advice Bureau Limited trading as Moneybox to pay Miss H and Mr W £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Mr W to accept or reject my decision before 14 June 2023.

Gerard McManus
Ombudsman