

## **The complaint**

Miss A complained about the advice she received from Hey Habito Ltd (“Habito”) when she was remortgaging a rented property. She said Habito let her down, and its failures meant she was paying more for her mortgage each month now.

## **What happened**

Miss A said she was very unhappy with the work Habito did in securing her Buy To Let (“BTL”) remortgage. She was particularly concerned that she ended up paying a higher interest rate, after her LTV actually decreased. And she said Habito gave her the wrong information on how to appeal against a valuation, meaning her appeal failed. She’d then had to find an extra £46,000, to make up for the gap between lending based on the valuation and what she’d expected to borrow.

Miss A said Habito blamed her lender, but she said she’d trusted Habito to help and support her. She wanted Habito to cover the difference in her monthly payments over the fixed interest period. And she wanted compensation for her time and the stress all this caused.

Habito said that it understood Miss A had complained about a number of separate points, and it addressed each of these in its complaint response to her.

Habito said it first heard from Miss A in late December 2021, but it thought it was clear that mortgage interest rates discussed in December and January 2022 were just initial enquiries, and it had never suggested these rates were secured. Miss A had said she was going to source lending elsewhere, after this, then came back to Habito. So as Miss A was exploring options elsewhere, Habito didn’t think it had caused any loss at this stage.

Habito said Miss A then spoke to it again in March, and Habito did then issue a mortgage illustration, but this document itself was clear that it could change after the date of issue. Habito said there was then a short delay, because Miss A hadn’t updated her address to the property that she was actually living in at that time. Habito said that delayed the submission of an application for her, and rates went up in this time.

Habito said once the application was done, Miss A’s lender then received a valuation which was less than Miss A expected. This impacted her maximum borrowing. Habito said it had told Miss A how to appeal, which it based on the lender’s appeal form. So Habito said it had correctly informed Miss A of how to appeal.

Habito said it did, wrongly, tell Miss A that her appeal was successful, but it wasn’t. Habito said this was a mistake, and it would like to pay Miss A £50 to say sorry for that.

Habito said after Miss A’s valuation appeal was declined, it had asked Miss A if she wanted to look for another lender, but she chose to increase her deposit. Habito said that reduced her loan to value (“LTV”) below what she’d originally applied for. Habito said it had tried to only decrease the loan amount and keep her original rate, but the lender’s systems did not

allow this. Habito said it had spoken to the lender, and was told it had to select a new product.

Habito said it had told Miss A about an affordability concern raised by the lender, and then escalated the issue internally. It said after it challenged the lender again, this condition was removed.

So Habito said that, apart from wrongly informing Miss A that her appeal valuation was successful (which it had offered £50 for) it didn't think it had done anything wrong.

Our investigator didn't think this complaint should be upheld. She didn't think Habito made a mistake about the valuation appeal process. She thought the offer it made, of £50, for wrongly informing Miss A that her appeal was successful, was fair. She said that the change in the interest rate was a result of a change in the range of products Miss A could secure. She did think Habito had contacted the lender about removing the affordability condition, requiring Miss A to repay a loan, and she said this was resolved within two days of its initial call to the lender. So our investigator didn't think Habito had to do more than it had already offered to do.

Miss A didn't agree. She continued to argue that an increase in interest rate couldn't be a fair response to a reduction in LTV. And she sent emails, which she said showed she hadn't been told the correct criteria for appealing her valuation. Our investigator didn't change her mind, and Miss A had indicated that she wanted an ombudsman to consider her case. So this case then came to me for a final decision.

### **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 reached the same overall conclusions on this as our investigator. I'll deal with each of the issues raised in turn below.

*Rates initially discussed weren't held for Miss A* – I have read the communications that Miss A had with Habito in December 2021 and January 2022, and I don't think Habito had given Miss A to understand that it was doing anything more than letting her know about rates available in the market at the time.

Miss A then contacted Habito in March, and it looks like she did want to put in an application at this stage, but it emerged in her discussions with Habito that the address she'd given it wasn't where she was living. Miss A simply hadn't updated her address to her then home, as I understand she was hoping this would be more temporary than it had turned out to be.

I do think it was reasonable for Habito to say that it would need to make a mortgage application using Miss A's actual address at the time, and I can see that there was then some delay before proof of address was available. I don't think this was a mistake by Habito. I understand that rates unfortunately rose in this time.

*Valuation* – Miss A's concern is she wasn't aware the comparable valuations she provided had to date from before the valuation her lender carried out. She says she wasted time getting valuations that the lender would never have considered, because Habito didn't tell her this. But I don't think Habito knew.

Miss A's screenshots of the emails Habito sent to her, say she was asked to provide details of comparable properties "*...that have had let agreed within the last 3 months*". And the lender's form says it wants to see details of comparable properties "*... rented (at least subject to contract) within the last 3 months*". So I think what Habito told Miss A about the evidence required for an appeal was consistent with what the lender's form requests.

When the lender replied to this appeal, it said it wanted details of properties rented out in the three months prior to the valuation. I note that this additional qualification isn't at all clear on the lender's own evidence form. So, unfortunately, on what I've seen to date, I don't think the exact time period the lender wanted evidence to date from, would have been clear to Habito until the point where the lender explained to Habito why Miss A's appeal hadn't been successful. I don't think that's Habito's fault.

*Mistake over appeal outcome* – Habito accepts that it wrongly indicated to Miss A that her appeal against the valuation was successful. I can see that on Friday 13 May, Habito told Miss A it thought the valuation was now satisfied. But on Tuesday 17 May, Habito corrected its mistake. I understand this was disappointing for Miss A, and I appreciate it would have shaken her confidence in the broker, but I don't think this mistake otherwise affected her mortgage application. So I do think the payment of £50 that Habito has offered for this, makes up for what's gone wrong here.

*Miss A had to cover a £46,000 shortfall in lending* - Once Miss A's lender said it wouldn't accept her valuation appeal, the maximum amount she could borrow was reduced. Habito discussed alternative lenders with Miss A, but I can see she chose to cover this shortfall from her own funds, and go ahead with this lender, as it would be quicker. So I don't think it was Habito's fault that Miss A had to find money from elsewhere to cover the shortfall.

*Increasing interest rate, but reduced LTV* – Miss A said it was simply ridiculous that she should have to pay a higher interest rate, when all that happened was her LTV was reduced. But that wasn't all that happened at this point. Miss A had arranged to make up a sizeable shortfall on the valuation, of £46,000, from her own funds. So she was presumably also amending her application so she was borrowing less money. And Miss A's lender has told our service this would require a revised application, selecting a new rate. At a time when interest rates were changing rapidly, I think it must always have been likely that this revised application would mean an increased interest rate, even at a lower LTV.

I know Miss A wanted Habito to discuss this with the lender, and I can see it did so. I don't think Habito made a mistake here.

*Affordability concerns* – Miss A said once she had to make up the shortfall in available lending from her own resources, she no longer wanted to pay off a loan she had previously said she would clear. Miss A said Habito didn't help her to get the lender to waive a requirement to clear this loan, so she had to talk to the lender herself.

I can see on the lender's notes that Habito spoke to the lender about this condition on 6 June, and Miss A spoke to the lender on 7 June. The message each got does appear to have been the same, that the loan had to be paid off. But I can also see that Habito spoke to Miss A on 8 June, saying it would escalate this issue, and get the lender to review this. On 9 June, the lender's notes show Habito contacted the lender again, and on the same day, Habito's notes say that Miss A no longer needed to pay off this loan.

I don't think this lending condition was only removed because Miss A contacted the lender herself. The lender's notes suggest it removed this condition at Habito's request.

*Summary* - I understand that Miss A has found this mortgage application to be a very frustrating process, but I've only been able to identify one mistake made by Habito, which it has offered compensation for. I think that does provide a fair outcome to this complaint. I can't see that this compensation has yet been paid to Miss A, so I'll require Habito to do that now. But I'll allow Habito to count towards the award any payment it has already made for this complaint, in case it has paid Miss A already.

I know Miss A will be disappointed, but I don't think Habito has to do more than this.

### **My final decision**

My final decision is that Hey Habito Ltd must pay Miss A £50 in compensation. Hey Habito Ltd can count towards that amount any payment it has already made for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 29 September 2023.

Esther Absalom-Gough  
**Ombudsman**