

The complaint

Mr and Mrs J complain about how more 2 life Ltd (M2L) handled their application for a lifetime mortgage. Mr and Mrs J say that M2L caused undue delay to their application. They are unhappy that because of the delay they will owe more on their mortgage – due to a reissue of their mortgage offer on a higher interest rate.

What happened

In 2022 Mr and Mrs J used a broker to apply for a lifetime mortgage with M2L for a loan amount of £100,000. An application was received by M2L on 31 March 2022.

M2L's solicitor who I'll refer to as "E" raised an issue regarding the title not being correctly registered with Land Registry and recommended further investigation into the property being marketed online as a holiday home. The latter query was resolved on 12 May 2022 and M2L issued an offer that day to Mr and Mrs J and a copy was sent to their solicitor.

Mr and Mrs J were offered a lifetime mortgage on a fixed interest rate of 3.13% on their advance of £100,000. M2L's offer was valid for 42 days. The registration of title with the Land Registry had not yet been completed. The offer also included a special condition that required Mr and Mrs J's solicitor to confirm the present septic tank drainage system was compliant with regulations.

By mid-June these issues remained outstanding. The offer was reaching its expiry so M2L granted an extension for a further 42 days on the same terms – including the same interest rate. The new offer expired on 4 August 2022.

The mortgage did not complete in time. It wasn't until after this date that all outstanding matters were resolved – more specifically confirmation of the septic tank being compliant with regulations.

M2L reissued a new offer, this time on a new interest rate of 4.38%. The mortgage completed on 20 September 2022.

Mr and Mrs J complained about the delays which caused them to incur a higher interest rate. M2L accepted it caused a slight delay in the completion of the mortgage. It says it could have asked for the necessary identification documents sooner. But the mortgage still completed in time on the interest rate that was applicable at that time. M2L didn't accept it was responsible for the earlier delays that caused the initial offer to expire.

Our investigator looked into things and thought M2L had offered to settle the complaint fairly. She didn't think M2L was responsible for the other delays mentioned by Mr and Mrs J, so she did not think it needed to do anything more in the circumstances to put things right.

Mr and Mrs J remained unhappy and asked for the case to be decided by an ombudsman. They say several weeks were lost due to M2L refusing to accept the property was a private dwelling rather than a holiday home and they queried several versions of events that occurred post 4 August 2022.

Because an agreement hasn't been reached the case has been passed to me to issue 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.

Having done so, whilst M2L didn't get everything right, I don't find that I can reasonably hold it responsible for all the delays that occurred during this mortgage application causing the initial offer to lapse. Nor do I find that it has acted unfairly or unreasonably in the circumstances for the reasons described by Mr and Mrs J. I'll explain why.

Mr and Mrs J are ultimately unhappy that the delays experienced during their mortgage application led to their offer expiring and being re-issued on a higher interest rate. I've thought carefully about the timings involved in this application and whether M2L caused any undue delay.

M2L instructed an independent surveyor to carry out a valuation on the property and appointed E as its acting solicitor. On the advice of both these parties, M2L was advised that several issues needed to be resolved in advance of an offer being issued. M2L is entitled to rely on the opinions of professional third parties and take any information provided into consideration for each lending application. I've considered both of the key matters that arose early on during the application process.

E informed M2L that property was still not registered in M and Mrs J's name following their purchase of it – more than a year before. A property must be correctly registered before a lender, in this case M2L, could add its charge onto the title deeds. It's the property owner(s) obligation to register their property and this requirement was necessary before the mortgage could complete.

It was also brought to M2L's attention that the property was listed on several holiday home websites. The terms and conditions of this mortgage require the applicants to "own and live permanently in the property which is subject to the lifetime mortgage". Mr and Mrs J say they spent weeks trying to persuade M2L that they had no intention of renting the property and that these were historic advertisements in place before they purchased the property. I appreciate the resolution of this issue took some time, but I don't think M2L acted unreasonably by having to take the necessary steps to be satisfied that the property was acceptable security and to ensure that it met its criteria.

Once this matter was resolved, an offer was issued on 12 May 2022 – around six weeks after application. Whilst this is longer than I'd usually expect an offer to take, it's not uncommon for an application process to take longer than usual when matters arise that need further investigation. Both these issues mentioned above aren't common things that arise during a mortgage application and understandably took time to sort. I've explained why it was necessary for M2L to raise and investigate these issues.

The offer issued on 12 May 2022 was sent to Mr and Mrs J and a copy issued to their solicitor. The offer made it clear that there was a special condition attached to it. It said:

"Solicitors be aware that the property has the benefit of drainage via a septic tank. Confirmation is required that all current drainage arrangements comply with the Septic Tank Regulation 2020 as discharges from septic tanks directly to a surface water are not allowed under the general binding rules. Please note that verbal/written confirmation from the applicant is not considered acceptable and it

is a requirement that the solicitors have seen evidence that the system complies before providing any such confirmation.”

So, it was clear from the offer exactly what was required from Mr and Mrs J's solicitor to satisfy the lending requirements in relation to this matter.

Whilst I accept Mr and Mrs J felt the offer could have been issued sooner, I'm persuaded the real issues that caused this mortgage not to complete in time were the outstanding matters relating to the septic tank drainage system and the title registration.

M2L have evidence that they chased the relevant parties for an update on these issues on several occasions. M2L was willing to extend the offer for a further 42 days to allow extra time for the issues to be resolved. This was the reasonable thing to do in the circumstances – extending the overall offer time to three months.

The title registration wasn't confirmed until late July 2022 and the necessary legal declaration regarding the septic tank drainage system wasn't received until after the extended offer expired. So as explained, I think it was mainly these issues that caused the offer to lapse, and less so the other delays, as described by Mr and Mrs J.

M2L were under no obligation to extend the offer for a further period. The offer had lapsed twice and so a new offer was issued which was put forward with the rate available at the time. M2L's lending rates had increased in the meantime – in part following increases in the Bank of England base rate.

M2L accepts that it caused some delay during the latter stages of the mortgage application which contributed to a delay in its completion, but these events all occurred during the third offer window period on the new interest rate. This means those delays didn't affect which interest rate Mr and Mrs J ended up with. The mortgage did complete on time, so in any event Mr and Mrs J still managed to complete on new rate, that for reasons I've explained, would have always applied in the circumstances.

In response to our investigator's view, Mr and Mrs J have questioned some version of events that occurred post August 2022, but again I'm not persuaded that is of much relevance here as their main concerns are about the events leading up their initial offers expiring that caused them to go onto a higher rate.

M2L has already accepted its errors to the extent set out above. When considering everything, I think M2L's offer of £200 compensation for the delayed completion on the new interest rate is fair and reasonable in the circumstances. As mentioned, these events occurred after the initial rate had expired. Whilst I accept the delayed completion would have caused Mr and Mrs J a degree of distress and inconvenience over a period of several weeks – the main detriment they've explained is incurring a higher rate of interest on their mortgage, which for the reasons I've set out I can't reasonably hold M2L responsible for.

My final decision

My final decision is that I uphold this complaint and direct more 2 life Ltd to pay Mr and Mrs J the £200 compensation it offered in its response to this complaint, as it appears this has not yet been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs J to accept or reject my decision before 24 July 2023.

Arazu Eid
Ombudsman