

The complaint

A limited company, which I will refer to as B, complains that Bank of Scotland plc's errors meant its new mortgage completed two weeks later than it should have done.

What happened

B's directors told us:

- They approached Bank of Scotland to apply for a commercial loan to purchase a property. They told the bank that the anticipated completion date was the end of August 2022.
- Bank of Scotland's service was slow, and there was miscommunication between themselves, the bank, and their solicitors. They did not actually complete until 7 September 2022, despite having received indicative quotes on 23 June 2022.
- As a result of the delay, they were homeless for two weeks – and had to pay for nine days of accommodation for themselves and their pets. They also resigned from their jobs two weeks earlier than they would have done if they'd known about the delay, so they lost earnings.
- B had to pay a higher interest rate than it would have done had the mortgage completed on time. If the loan had completed even one day earlier, the rate would have been 0.1% lower.
- What should have been an exciting time in their lives turned into an extremely stressful nightmare.

Bank of Scotland told us:

- When B's directors originally approached it, they said they intended to trade at their new premises through a partnership. They later decided to trade through a limited company, and that change in business structure added complications.
- The directors' solicitor provided the wrong name for their partnership, and it was necessary for that to be corrected.
- It could not have completed on the loan before 6 September 2022, because that is the date it received a necessary cross guarantee from the directors' solicitors. However, it does accept that completion could have occurred on 6 September 2022 (rather than 7 September 2022) if its staff had been able to speak to one of B's directors by telephone on that date.
- Overall, it is satisfied that it handled B's lending application within its normal timescales and process.

- However, it accepts that it made mistakes with respect to customer service, and in particular it accepts that it broke a promise to the directors regarding updates. It explained that it does not usually give updates directly to a borrower when it is liaising with that borrower's solicitor and broker – but in this case, given that it agreed to provide updates, it should have done so. However, it said that even if updates had been given the length of time to complete B's lending application would not have changed.
- It also accepts that it wrongly sent some documents regarding internet banking to the directors' old address.
- It offered B £100 to apologise for its poor service, but the directors declined its offer.

One of our investigators looked at this complaint. She didn't think Bank of Scotland's errors had caused B to suffer a financial loss, but she thought it should pay an additional £100 to compensate B for the inconvenience its errors had caused.

Bank of Scotland accepted our investigator's conclusions, and agreed to pay a total of £200 to B. B's directors did not accept her conclusions, and asked for the matter to be referred to an ombudsman.

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, there is very little I can add to what our investigator has already said.

I accept the directors' evidence that they were clear from the outset that they wanted the loan to complete by the end of August 2022. But that was less than three months after the bank provided indicative quotes. It is common for commercial loans to take much longer than three months to arrange, but three months is not an unreasonable timescale if everything goes well. I therefore I think it is likely that various members of the bank's staff did tell the directors that they saw no reason why completion could not happen by the end of August 2022 – but that is not the same as a guarantee of a completion date.

I'm satisfied that Bank of Scotland did not promise B's directors that completion would happen by a particular date. Such a promise would be unusual; it is very rare for banks to be sure that they are willing to lend before they have undertaken all the relevant legal work. In addition, I accept Bank of Scotland's explanation that the change in business structure and the confusion over partnership name caused complications.

I acknowledge that B's directors will strongly disagree with me, but overall I think Bank of Scotland handled this lending application within the timescales I would expect. I therefore make no award for any costs B incurred as a result of completion happening a few days after the end of August 2022.

However, I do agree that Bank of Scotland's customer service should have been better, and it should pay some compensation as a result.

Putting things right

My aim here is to award compensation for the impact of Bank of Scotland's customer service failures on B. That is because Bank of Scotland's customer here was B, and not B's directors personally. As a limited company, B is not itself capable of suffering distress.

Whilst I think Bank of Scotland could have done more to try to contact B's directors on 6 September 2022, I can see that it did attempt to call at 12:16pm and 12:26pm. It has explained that it doesn't usually try to contact customers to agree completion after 1pm, and I think that is reasonable. Even if Bank of Scotland had made further attempts to call the directors, there is no guarantee that completion could have occurred on 6 September 2022.

Bank of Scotland should have done more to keep the directors informed of the process of B's application, but I don't think its failure to do so had any impact on the overall timescales. I consider that the impact of Bank of Scotland's failure on the limited company B was fairly limited, and therefore that compensation of £200 is fair and reasonable in respect of the inconvenience Bank of Scotland's errors caused to B.

I acknowledge that the directors were themselves extremely distressed, and the fact they could not move to their new property on the date they'd expected caused huge upheaval to them and to their pets. I don't underestimate the difficulty the directors would have had in finding somewhere to live at very short notice. But I have no power to make an award in respect of the distress they suffered personally. Even if I did have such power, as I've said I'm not satisfied that the delay in completion was a result of an error by Bank of Scotland.

My final decision

My final decision is that I order Bank of Scotland to pay B £200 to apologise for the inconvenience caused by its poor customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 20 December 2023.

Laura Colman
Ombudsman