

## **The complaint**

Mr A and Mrs H complain about the service Connect IFA Ltd trading as Connect Mortgages provided when arranging mortgages for them.

## **What happened**

In around February 2022 Mr A and Mrs H asked Connect IFA Ltd trading as Connect Mortgages (Connect) to help them arrange two mortgages. Connect obtained two offers. The first, from Lender 1, was for a let to buy arrangement under which Mr A and Mrs H planned to release some equity to use as a deposit on a new property and convert the existing mortgage to a buy to let (BTL). The second, from Lender 2, was for a new residential mortgage for the new property they planned to buy.

Shortly before contracts were due to be exchanged, Mr A and Mrs H's solicitors told them the mortgage offer from Lender 2 was subject to a special condition that required them to pay off the borrowing on their existing property. If they wanted to go ahead with the BTL, Lender 2's lending criteria would only be met in Mr A and Mrs H's circumstances if the BTL was arranged through Lender 2's associated company. The seller of the new property pulled out due to the time a new BTL application would take. And Mr A and Mrs H's plans to move fell through. They complained to Connect.

Connect didn't accept responsibility for what had gone wrong or uphold the complaint. They said, in summary, Lender 2's criteria regarding let properties hadn't been clear; Lender 2's application process didn't ask questions that would have highlighted the issue; the solicitor hadn't picked up the special condition until the last minute; and the seller pulling out was outside their control. But, as a gesture of goodwill, Connect offered to refund Mr A and Mrs H their fees for one of the mortgage applications.

Mr A and Mrs H didn't accept Connect's response and brought their complaint to the Financial Ombudsman Service. They felt Connect should refund all the fees they'd paid to them; pay the search fees they'd paid their solicitors; and meet the additional costs of borrowing they would incur when they did buy a property due to increases in interest rates.

Our investigator made some enquiries of Lender 2. In light of what it said, he thought Connect had made mistakes. He said, broadly, they'd failed to take on board Lender 2's criteria and processes that were available on its intermediary website and they'd completed the mortgage application incorrectly. Connect hadn't provided the service he'd reasonably expect from a broker. And to put things right Connect should refund their fees totalling £998, reimburse the search fees Mr A and Mrs H's solicitors had charged them of £614 subject to proof of payment, and pay compensation of £500 for distress and inconvenience. He didn't think Connect should pay anything towards Mr A and Mrs H's potentially higher costs of borrowing since they hadn't incurred a loss and there was no guarantee they would have obtained another offer in line with their plans.

Connect agreed our investigator's outcome. But Mr A and Mrs H didn't agree. They felt the compensation was too low given the distress they'd suffered. And they felt Connect should also compensate them for the additional costs of borrowing they'd incur when they took out a new mortgage.

Since the complaint hasn't been resolved, it was referred to me to decide. I recently issued a provisional decision, an extract of which follows:

**“What I've provisionally 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'm sorry to hear about the difficult position Mr A and Mrs H are in with regard to moving house. And I appreciate their strength of feeling about their complaint. But, whilst I acknowledge they'll be disappointed, so far I've come to the same outcome as our investigator for broadly the same reasons. But since the redress I'm proposing is different, as I'm asking Connect to pay interest, I'm issuing a provisional decision. That gives the parties the chance to make any further comments they'd like me to take into account in reaching my final decision.

Connect have now accepted they got things wrong. And they've agreed to reimburse Mr A and Mrs H their own fees, to pay the solicitors' search fees, subject to proof of payment, and to pay them compensation of £500. So, what I need to decide is whether it's fair and reasonable to ask Connect to pay towards Mr A and Mrs H's additional costs of borrowing and/or to increase the level of compensation our investigator recommended.

I've noted Mr A and Mrs H's calculations about how much more a new mortgage could potentially cost them. They haven't incurred a loss yet although I appreciate they are hoping to move soon. Connect's actions undoubtedly caused difficulties with the transactions they were hoping to achieve. But I can't be certain they would have gone through even if Connect had completed the mortgage applications correctly. It's not clear an application to Lender 2's associated company would have succeeded or if any terms it offered would have been suitable for or acceptable to Mr A and Mrs H. And it's possible the transactions may have failed even if Connect had got things right - such as the seller pulling out for other reasons or the chain collapsing. So, it's too speculative to say the additional costs Mr A and Mrs H now face flow from Connect's mistakes. And it wouldn't be fair and reasonable to ask them to pay them.

But it's right that Connect compensate Mr A and Mrs H for the distress and inconvenience they caused. Mr A and Mrs H have described the significant distress they've suffered. They say losing their ideal property and continuing to live in their existing property has impacted their mental health and affected their family. And they say the stressful situation is continuing today.

It wouldn't be fair to put all the blame for that on Connect since Mr A and Mrs H could potentially have tried to move again sooner. But Connect were aware, when investigating the complaint, that Lender 2's relevant criteria and processes were available on-line and that they didn't check the mortgage offer from Lender 2 when it came through – even if they felt the information on both was unclear – and directed the blame to other parties. I think Connect should have acknowledged their mistakes sooner.

Bearing in mind the impact on Mr A and Mrs H of the mistakes Connect made and the timescales involved, I think £500 compensation for distress and inconvenience is fair and reasonable in all the circumstances.

To put things right Connect should pay back the fees Mr A and Mrs H paid them, reimburse the search fees they paid to their solicitors, subject to providing Connect with proof of payment, and pay them compensation for distress and inconvenience of £500 - plus interest on the basis I'll set out below.

### **My provisional decision**

I intend to uphold Mr A and Mrs H's complaint and direct Connect IFA Ltd trading as Connect Mortgages to pay Mr A and Mrs H the following sums within 14 days of Mr A and Mrs H accepting this decision, if they choose to do so:

1. The fees Mr A and Mrs H paid Connect IFA Ltd trading as Connect Mortgages for the services they provided in arranging the mortgages with Lender 1 and Lender 2;
2. The search fees Mr A and Mrs H paid their solicitors, subject to them providing Connect with proof of payment;
3. Simple interest on the sums payable under paragraphs 1 and 2 at the rate of 8% a year from the date Mr A and Mrs H paid the sums in question until Connect IFA Ltd trading as Connect Mortgages reimburse them; and
4. Compensation for distress and inconvenience of £500.

If Connect IFA Ltd trading as Connect Mortgages consider that they're required by HM Revenue & Customs to deduct income tax from the interest, they should tell Mr A and Mrs H how much they've taken off. They should also give Mr A and Mrs H a tax deduction certificate, if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate."

### **Developments**

Connect had no comments to make on my provisional decision.

Mr A and Mrs H said they were unhappy with the level of compensation I'd proposed. They said too they tried to move sooner, but their original plans had become unaffordable. They explained they looked at selling their existing property and taking a residential mortgage. But they found it difficult to find a new property that was suitable. And they felt their original plans would have gone through but for Connect's mistakes.

Despite their comments, Mr A and Mrs H said they accepted my provisional decision.

Bearing the above in mind, I'll now set out my 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 note Mr A and Mrs H's comments. I explained in my provisional decision why I couldn't be sure their transaction would have gone through even if Connect hadn't made mistakes. Mr A and Mrs H haven't raised any substantive new points that would persuade me to change my mind about that, although I do understand their strength of feeling and disappointment. But they've decided to accept the decision anyway.

Given the parties' responses to my provisional decision, I see no reason to change my outcome. For the reasons and on the basis I set out in my provisional decision, I uphold the complaint.

### **Putting things right**

Connect IFA Ltd trading as Connect Mortgages should pay Mr A and Mrs H the sums I set out below.

### **My final decision**

I uphold this complaint and direct Connect IFA Ltd trading as Connect Mortgages to pay Mr A and Mrs H the following sums within 14 days of Mr A and Mrs H accepting this decision, if they choose to do so:

1. The fees Mr A and Mrs H paid Connect IFA Ltd trading as Connect Mortgages for the services they provided in arranging the mortgages with Lender 1 and Lender 2;
2. The search fees Mr A and Mrs H paid their solicitors, subject to them providing Connect with proof of payment;
3. Simple interest on the sums payable under paragraphs 1 and 2 at the rate of 8% a year from the date Mr A and Mrs H paid the sums in question until Connect IFA Ltd trading as Connect Mortgages reimburse them; and
4. Compensation for distress and inconvenience of £500.

If Connect IFA Ltd trading as Connect Mortgages consider that they're required by HM Revenue & Customs to deduct income tax from the interest, they should tell Mr A and Mrs H how much they've taken off. They should also give Mr A and Mrs H a tax deduction certificate, if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs H to accept or reject my decision before 27 July 2023.

Julia Wilkinson  
**Ombudsman**