

The complaint

This complaint's about a re-mortgage application that Miss H and Mr M made through Mortgage Advice Bureau Limited trading as the Mortgage Centre (MAB). They say that due to delays and errors on MAB's part, they lost out on a low interest rate and will pay a lot more over the next five years.

What happened

By way of a provisional decision dated 3 July 2023, I set out my provisional conclusions on this complaint. The following is an extract from the provisional decision.

"The broad circumstances of this complaint are known to Miss H, Mr M and MAB. I'm also aware that the investigator issued a comprehensive response to the complaint, which has been shared with all parties, and so I don't need to repeat the details here.

Our decisions are published, and it's important that I don't include any information that might result in Miss H and Mr M being identified. Instead I'll give a brief summary of the key events, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Miss H and Mr M approached MAB in the autumn of 2021. Mr M had a mortgage with a lender I'll call L, on a shared-ownership property, which was coming towards the end of its fixed interest rate deal of 4.84%. Their objective was to get a new mortgage, in joint names, with a new fixed rate. MAB arranged a mortgage offer with a lender I'll call B, and in November 2021, B issued an offer, valid until May 2022, with a fixed rate of 1.74% running to February 2027.

In February 2022, with the end of the fixed rate with L now imminent, Miss H and Mr M chased up MAB, only to discover that the broker they'd been dealing had left, and MAB had failed to tell B about the property being shared ownership when it first submitted the application. In March 2022, B re-issued the offer on the same terms and with the same expiry date in May 2022.

But then a problem arose on the conveyancing side, to do with the housing association that owns the other share in the mortgage property. The offer from B expired before this could be resolved. In desperation, and having been paying interest on L's standard variable rate (SVR) since March 2022, Mr M secured a new fixed rate of 4.14% on his existing mortgage, which runs until August 2027. They have postponed adding Miss H to the mortgage with L for the time being, due to the extra cost involved. They've agreed with L to do this once they can cover the fees.

When Miss H and Mr M complained, MAB agreed that its broker had caused the problems, and offer a refund of the £295 broker fee plus £100 compensation for distress and inconvenience. Miss H and Mr M referred the complaint to us; our investigator recommended that in addition to refunding the broker fee and paying

compensation, MAB should also reimburse the difference in interest between the 4.14% being charged by L and the 1.74% that B had proposed to charge.

Miss B and Mr M accepted the investigator's findings. MAB disagreed, but didn't say why. The case come to me to decide.

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.

Having done so, I've reached a similar conclusion to the investigator; MAB, by its errors and omissions, has caused significant financial detriment to Miss H and Mr M. But more detail is required about the parameters for the settlement I will be requiring MAB to provide. By issuing this provisional decision, I'm giving both parties the opportunity to comment before I finalise my decision.

First of all, a clarification. The financial loss arising from the difference in interest between the mortgage that B offered and the new deal taken with L is, for the time being at least, being incurred just by Mr M, as he is the sole borrower on the mortgage as it stands. However, that loss arises from shortcomings in a financial service provided to both him and Miss H, and the impact of it falls on both of them.

It's reasonable to conclude that but for MABs' failings, even allowing for the query with the housing association, the re-mortgage to B in joint names would have been ready to complete once the existing fixed rate with L ended on 28 February 2022. If that had happened as it should, Miss H and Mr M would have been paying interest at 1.74% from 1 March 2022; so that's the start date for calculating redress.

Miss H and Mr M began paying interest at L's SVR of 5.29%, instead of 1.74% and continued to do until 2 July 2022, when the new fixed rate of 4.14% took effect.

Thereafter, they've been paying, and will continue to pay, interest at 4.14%, instead of 1.74%. The 4.14% fixed rate with L runs until August 2027, but if the mortgage with B had gone through as intended, the fixed rate of 1.74% would have run until 28 February 2027. As I can't know what will happen to rates after that date, 27 February 2027 (and *not* August 2027) is the end date for calculating redress.

So the relevant rates and dates that need to be used to calculate redress are as follows.

- From 1 March 2022 to 1 July 2022, the difference in interest charged each month between 5.29% and 1.74%;
- From 2 July 2022 to 28 February 2027, the difference in interest charged each month between 4.14% and 1.74%.

I've then thought about the balance(s) to be used to calculate the differential interest. The offer for the new rate from L specified an opening balance of £71,583. It's a repayment mortgage with a seventeen-year term from 2 July 2022, so the balance will have been slightly higher between 1 March 2022 and 2 July 2022, and will fall gradually over the period from 2 July 2022 to 28 February 2027.

It is incumbent on MAB to estimate the balance on which interest is calculated each month, by working backwards from 2 July 2022 to 1 March 2022, and working

forwards from 2 July 2022 to 28 February 2027. On the assumption that all payments to L are made in full and on time, it will then have to calculate each month's differential interest, and show its workings. MAB doesn't need to calculate and present the redress figure in response to this provisional decision; at this stage, MAB (and Miss H and Mr M) are being asked to agree to the principal of the settlement. If the parties do agree, then MAB will be required to present the calculation when carrying out the settlement.

I've then considered the question of interest on the interest reimbursements. Each time Miss H and Mr M have paid more each month than they needed to due to MAB's shortcomings, they've been unfairly deprived of the extra amount. That would, ordinarily, entitle them to interest on each overpayment, from the time it was paid, up to the time it is reimbursed. The relevant rate is 8% simple per annum.

However, that's not the case for the extra interest payments they haven't yet made, but will make between the date the complaint is settled and February 2027. For those, Miss H and Mr M are going to receive redress before the loss has been incurred, so no interest is due. In fact, not only is no interest due, but there's also a theoretical financial benefit to them receiving the redress before the loss has occurred. In the interest of fairness and simplicity, I'm minded to conclude that the two should cancel each other out, and that I should not include an award of interest.

MAB has offered to refund the broker fee; I'd expect that as a matter of course.

Lastly, for the impact this situation has had on Miss H and Mr M, I'm not persuaded £100 is adequate compensation. The whole experience of making these unnecessarily high monthly payments, and fighting for a fair outcome, will have caused Miss H and Mr M lot of worry and stress that could have been avoided if MAB hadn't got thing wrong in the first place, and then secondly, had responded to the complaint fairly and reasonably. As things stand, I have detected a complete lack of understanding on MAB's part, and an absence of any empathy towards Miss H and Mr M for what it has put them through."

Both parties were given a two-week time frame in which to make their further comments; Miss H and Mr M have confirmed that they accept the provisional decision. Despite a reminder, we've not heard from MAB.

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 considered afresh everything that both parties have said and provided. Having done so, and with no further substantive arguments or evidence to consider, I won't be changing my decision.

My final decision

My final decision is that I uphold this complaint, by ordering Mortgage Advice Bureau Limited trading as the Mortgage Centre to do the following:

- reimburse Miss H and Mr M the differential interest they've incurred since 1 March 2022 and will continue to incur up to 28 February 2027, by reference to the dates, interest rates and balances specified above;

- refund the broker fee of £295; and
- pay Mrs and Mr P £300 compensation for their time, trouble and upset.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Mr M to accept or reject my decision before 15 August 2023.

Jeff Parrington

Ombudsman