DRN-4306729

The complaint

Mr R and X complain that they received poor advice from Mortgage Advice Bureau Limited trading as Coreco (MAB) when seeking its service to find a mortgage for a property purchase. Mr R and X say that the recommended two-year fixed rate mortgage was unsuitable for their needs, and they should have been advised to take a longer fixed rate product of at least three-years.

What happened

In 2021 Mr R and X used MAB as their mortgage broker to help them find a mortgage to purchase a new property. A telephone appointment with an advisor took place on 23 March 2021. A fact find was caried out to establish a suitable recommendation.

Having assessed Mr R and X's needs and circumstances, MAB recommended that they take out a mortgage for £490,249 (inclusive of a £1,499 product fee) over a term of 30 years with a lender who I'll refer to as "H". A two-year fixed interest rate of 2.46% was recommended. The deal ran until 30 June 2023, after which the mortgage would revert to H's standard variable rate (SVR). An illustration was provided to that effect on 14 April 2021.

H accepted Mr R and X's application and a mortgage offer was issued on 30 April 2021 confirming the agreed terms of the mortgage.

In January 2023 (six months before the expiry of their current deal) Mr R and X started shopping around for a new interest rate product. They secured a new interest rate of 4.34% fixed for five-years with their current lender H. They were unhappy to find that interest rates had risen and that their monthly payments would increase by around £435 a month.

Mr R and X complained to MAB. They said that they should not have been recommended a two-year fixed interest rate when they specifically asked for a three-year fixed interest rate product. They also complained that the product fee should not have been added to their mortgage as they'd specifically asked to pay this upfront.

MAB didn't uphold Mr R and X's complaint. In summary it said that Mr R and X were provided with sufficient documentation to make them aware of the advice and recommendation given. They didn't make the advisor aware at the time that they were unhappy with the recommended product or that they in fact wanted a longer fixed term on their mortgage.

Unhappy with MAB's response, Mr R and X brought their complaint to the Financial Ombudsman Service. An investigator looked into things and didn't recommend that the complaint should be upheld for similar reasons given by MAB. She also explained why our service could not look into any new complaint issues raised about the mortgage advice given that MAB had not yet had a chance to investigate.

Mr R and X remained unhappy and asked for their case to be decided by 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.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Having done all that, I don't think this complaint should be upheld. I realise this will be disappointing for Mr R and X. But I hope the reasons I have set out below will help them to understand why I have come to this conclusion.

As a mortgage broker, it's MABs duty to provide its customers with appropriate advice based on their individual needs and circumstances. It must find out enough information about the consumer(s) in order to recommend a mortgage that's a good fit for their needs.

MAB has shown our service that it did this. It conducted a fact find with Mr R and X which was followed up with a documented suitability report. With regard to the interest rate chosen and the product fee paid, the suitability report dated 13 April 2021 says the following:

> *"Your preferences for your new mortgage were:*
>
> - *The ability to fix your mortgage payments because you wanted the stability of payments to allow you to budget accurately.*
> - *To have an Initial Rate on your mortgage deal of no longer than 2 years.*
> - *The ability to add fees to your mortgage because you will pay the fee once the mortgage completes using the overpayment facility. You wanted to add the fees to the loan so that they're protected.*
>
> *You chose to add fees to your mortgage even though you have funds available to cover these. This was because you intend to pay the fees after completion, (as should your mortgage not complete for any reason the fees may not be refundable).*
>
> *I made you aware, should you not pay these fees on completion, there would be a financial implication i.e. by adding these fees you will incur interest charges on the fee amount for the full term of your mortgage…*
>
> *I have recommended a fixed rate term of 2 years and 3 months because you want to keep your options open with regards to moving in two years.*
>
> *I recommend, towards the end of the initial term, you review your mortgage arrangements."*

MAB has not been able to provide our service with a copy of the recording of the advice call that took place on 23 March 2021. So, I can't know for certain exactly what was discussed during that call. That said Mr R and X were provided with a copy of the suitability report that summarises the conversation had and the reasons for MABs recommendation.

If Mr R and X were concerned that the suitability report wasn't an accurate reflection of the conversation had, I think it's reasonable to conclude that they would have raised this at the time of application. It's also worth noting that Mr R is a financial advisor himself and so has professional expertise and likely more industry knowledge than the average person – to make his own informed decision about what was right for him and X.

Mr R and X heavily rely on an email they sent to MAB on 22 March 2021 (before the advice meeting took place) to prove that their intention was always to take a three-year fixed interest rate. At the time of initial enquiry, it was noted that Mr R had some adverse information on his credit file. Mr R and X said in their email that they wanted to take a three-year fixed interest rate so that they could re-mortgage once Mr R's credit score had improved. They've told our service, in response to the investigator's view, that this was their only reason for wanting a three-year fixed interest rate.

I can see that MAB initially explained to Mr R that the application wouldn't pass based on his credit score. Mr R was able to get some adverse data relating to a car finance agreement removed from his credit file and the application subsequently passed. MAB was able to source Mr R and X a standard mortgage with a high street bank. Their mortgage interest rate is not impacted by any form of poor credit (e.g. sub-prime lending).

So, when considering everything I'm not persuaded that it's enough to rely on the content of this email as a reason to uphold this complaint. As I've said, this email was sent before speaking to the mortgage advisor. A further conversation took place during the advice call and it's evident that the matter of Mr R's poor credit reporting was eventually cleared up and he and X were able to qualify for a prime mortgage interest rate.

So therefore, I'm persuaded that this was no longer a concern for Mr R and X and once Mr R's credit file was amended, they were open to explore all possible interest rates – including two-year fixed interest rates which are generally lower than three or five-year fixed rates. I can see that MAB did provide a two and three year comparision to Mr R and X. I think the lower two-year fixed interest rate likely attracted them at the time – and that's why they agreed to the recommendation and to an application being submitted on that rate.

I appreciate that the Bank of England base rate has risen considerably since Mr R and X took their mortgage and that it was disappointing to find out that mortgage interest rates have risen as a result. But as our investigator righty pointed out mortgage advisers aren't qualified or required to speculate on what will happen to the Bank of England Base Rate. And there is no evidence in the suitability report, or elsewhere, to suggest that the mortgage advisor recommended a rate based on what he predicted to happen in the market in the coming years.

I do understand why, in hindsight, Mr R and X now feel that opting for a longer fixed interest rate would have been in their favour. But for the reasons I've explained I've not seen anything to suggest that MAB didn't follow the requirements of an advised sale as set out in rules within the Mortgage conduct of business regulations (MCOB).

Finally, I've also not seen anything to suggest that Mr R and X were advised to add the £1,499 product fee to the mortgage against their will. As noted in the suitability report, their intention was to pay the fee after completion. The financial implications of not paying the fee upfront were clearly explained by the broker in the suitability report. Mr R and X opted to have the fee added to their balance. I can't reasonably hold MAB responsible for them not paying the fee after completion as intended and for any subsequent implications.

My final decision

My final decision is that I don't uphold Mr R and X's complaint against Mortgage Advice Bureau Limited (trading as Coreco).

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R and X to accept or reject my decision before 12 March 2024.

Arazu Eid
Ombudsman