

## **The complaint**

Mr and Mrs A complain about delays when they made a mortgage application to Clydesdale Bank Plc (trading as Virgin Money). They ask for compensation.

## **What happened**

Mr and Mrs A made an application to Virgin Money in May 2022. In September 2022 Virgin Money declined the application. Mr and Mrs A say this wasted four months of their time while interest rates were rising. They'd like Virgin Money to compensate them for their additional interest costs, having taken out a mortgage with another lender.

Our investigator said Virgin Money's decision not to lend was consistent with its lending criteria. He said while it caused a delay of eight days its offer of £100 compensation was fair.

Mr A didn't agree. He said if Virgin Money had criteria requiring two years continuous employment it should have picked this up at the outset, as their employment start dates were on the application form. He said they could have gone elsewhere in May 2022, before rates increased again. Mr A said Virgin Money hadn't provided documents and fobs him off when he calls to request his paperwork.

## **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.

Mortgage lenders are required by rules on mortgage regulation to complete affordability checks before offering a mortgage. Lenders are entitled to make commercial judgements about their own risk appetites. I'd expect Virgin Money to have policies in place about how affordability is assessed. For instance what types of income are acceptable, how different types of income are evidenced and the periods over which it needs to be demonstrated. Mr A says he doesn't dispute this. He says his complaint is about the time taken by Virgin Money to assess his application.

Mr A says Virgin Money's lending criteria must have changed during the delays, resulting in the application being declined. Otherwise, he says Virgin Money should have told them at the outset that they didn't meet its income criteria, so they could have gone elsewhere.

Virgin Money issued a decision in principle (DIP) in May 2022. This wasn't a mortgage offer and the DIP makes this clear. It says it will accept an application from Mr and Mrs A.

The DIP set out documents required to progress the application. Mr and Mrs A's mortgage broker submitted an application on their behalf.

Virgin Money asked for further information and documents. It's not unusual for lenders to ask for further information and documents during an application, and this is something they're entitled to do. Virgin Money asked for more information about Mr and Mrs A's income in July and early August 2022.

I can understand Mr and Mrs A's frustration about the time taken by Virgin Money to assess the application. Virgin Money provided its record of the information submitted with the application. Having reviewed this, I don't think I can fairly find that it should have known from the outset that Mr and Mrs A wouldn't meet its criteria. Virgin Money asked for further information to understand more about Mr and Mrs A's income, before making a lending decision. I don't think that was unfair. The alternative would have been to decline the application without asking for further information which might have allowed it to offer the mortgage.

I do appreciate though that this meant the application process took longer than Mr and Mrs A would have expected. If Virgin Money had caused significant unnecessary delays, I might reach a different outcome. But I don't think that was the case. Virgin Money asked for additional information and documents, which it then had to review, and this inevitably added to the time taken for it to reach a decision. But, as I said, it is entitled to ask for more information and documents during the application process. Virgin Money said there was a short delay when documents weren't transferred internally promptly. Other than that, having read through its notes, I don't think it caused any significant delays when reviewing documents or when asking for clarifications or further documents.

Mr and Mrs A's application was with Virgin Money for about four months before it was declined, and this was during a period of rising interest rates. I do understand Mr and Mrs A's frustration that they didn't get an answer sooner, so they could apply elsewhere. I'm pleased to hear they were offered a mortgage by another lender, albeit with a 3.5% interest rate rather than the 2.75% rate they'd hope to secure with Virgin Money. But for me to require Virgin Money to pay compensation for this, I'd have to find that Mr and Mrs A missed out on a lower interest rate because Virgin Money caused unnecessary delays, and I don't think that was the case.

Mr A says he's unhappy with the way Virgin Money dealt with his complaint. Complaint handling isn't itself a regulated activity, so this isn't something I can consider here. If Mr A is concerned that Virgin Money hasn't provided information in accordance with the General Data Protection Regulation, he can consider contacting ICO. Mr A says he'll take the matter to court. If Mr and Mrs A don't accept my decision, they will be able to take the matter to court, if they wish to do so.

### **Putting things right**

Virgin Money offered £100 compensation for the upset caused by a short delay in it transferring information internally. I don't think the outcome here would have been different if there hadn't been this delay. In the circumstances, I think £100 is fair and reasonable.

### **My final decision**

My decision is that Clydesdale Bank Plc (trading as Virgin Money) should pay £100 to Mr and Mrs A, if it hasn't already done so.

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

Ruth Stevenson  
**Ombudsman**