

The complaint

Miss D complains that due to delays by Pure Mortgage Ltd when it advised her about a buy to let mortgage and a residential mortgage she missed out on lower interest rate products. She asks that Pure Mortgage pays compensation.

What happened

Miss D took mortgage advice from Pure Mortgage. Miss D wanted to take out a residential mortgage to buy a property. She also wanted to take out a buy to let mortgage on a property she owned, to raise funds for a deposit for the residential property.

In early March 2022 Pure Mortgage carried out a fact find and made recommendations to Miss D. I'll refer to the recommended lenders as "B1" (for the residential mortgage) and "BTL1" (for the buy to let mortgage).

The broker was unwell and away from work from early June 2022 for over a month. He accepts he didn't keep Miss D informed about this or arrange for a colleague to deal with her applications. The application to BTL1 hadn't progressed and the broker hadn't submitted an application to B1.

Miss D took advice elsewhere and received mortgage offers in mid-July 2022. She says interest rates increased during the delays and she's about £200 per month worse off. Miss D had to move out of her rented property at the end of June 2022, before her purchase completed.

Initially, Pure Mortgage said it would compensate Miss D for her increased interest costs. It then said Miss D didn't pass BTL1's affordability checks for the amount she needed to borrow. Pure Mortgage said there were other matters that would have delayed Miss D's mortgages completing. Pure Mortgage offered £2,000 to cover the fees Miss D paid to the new broker and the inconvenience caused.

After the complaint came to us, Miss D said she'd spoken to BTL1 and found out that further delays were caused by Pure Mortgage failing to submit an application for six weeks. She says this information was withheld from her at the time and when she raised a complaint.

My provisional decision

I sent a provisional decision to the parties, setting out why I intended to uphold the complaint, as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss D took mortgage advice from Pure Mortgage about a buy to let mortgage and a

residential mortgage.

I should first say that buy to let mortgages aren't regulated by the Financial Conduct Authority. That means we can't always consider complaints about the advice given by brokers about buy to let mortgages. Advice about residential mortgages is a regulated activity, and something we can consider complaints about. We can also consider matters which are ancillary to a regulated activity.

Miss D wanted to take out a buy to let mortgage to raise funds for the deposit for the residential property she wanted to buy. The application for the residential mortgage couldn't go ahead without the deposit. Pure Mortgage advised on both mortgages together – in fact, Miss D says Pure Mortgage advised her that it wouldn't submit an application for the residential mortgage until BTL1 issued an offer for the buy to let mortgage.

I think the advice about the buy to let mortgage was ancillary to the advice about the residential mortgage. That means we can consider Miss D's complaints about poor service and delays in relation to both the regulated residential mortgage and the buy to let mortgage.

Problems and delays with the application to BTL1

Pure Mortgage accepts it made an error when its broker was away from work between mid-June 2022 and mid-July 2022 and didn't arrange for a colleague to progress Miss D's applications.

Miss D had no response from the broker after 11 June 2022. When she contacted a colleague, he had difficulty progressing her application as he didn't have authority to deal with BTL1.

Miss D took mortgage advice elsewhere. She received mortgage offers from two different lenders (who I'll refer to as B2 for the residential mortgage and BTL2 for the buy to let mortgage) on 11 July 2022. The interest rates were higher than the mortgages recommended by Pure Mortgage. There were increases in the Bank of England base rate in mid-March 2022, early May 2022 and mid-June 2022.

Pure Mortgage wrote to Miss D in late July 2022. It proposed paying compensation for the additional interest costs if Miss D's mortgages completed. It later withdrew this offer, saying the mortgages it applied for on Miss D's behalf wouldn't have completed. It gave reasons for this, which I'll comment on below.

Miss D said she only went ahead as Pure Mortgage had offered to compensate her for the additional costs. She said she'd also found out that Pure Mortgage might have caused delays before June 2022.

Miss D says she was told by Pure Mortgage it made an application on her behalf on 1 March 2022. I think though that was the agreement in principle. This isn't a mortgage offer, which is subject to the lender's checks.

Pure Mortgage did fact finds with, and issued recommendation letters to, Miss D in early March 2022. It recorded that Miss D wanted fixed rate products for five years as she expected interest rates to increase. Miss D says she provided requested documents (such as payslips and bank statements) on 4 March 2022 and provided evidence to support this. She says Pure Mortgage asked for updated payslips and bank statements on 13 April 2022, which she also provided.

BTL1 told us Pure Mortgage submitted an application on behalf of Miss D on 13 April 2022.

Pure Mortgage says it was unable to submit an application to BTL1 until 12 April 2022 due to problems with BTL1's systems.

In mid-April 2022 BTL1 asked for information about Miss D's purchase and whether this would require a mortgage. It also asked for confirmation regarding know your client (KYC or identification) documents which Pure Mortgage provided a couple of days later.

BTL1 says it had to chase Pure Mortgage for information about the residential mortgage and didn't receive this until the end of June 2022. Pure Mortgage says it submitted an update form in mid-April 2022 and didn't initially know this hadn't been uploaded correctly. It submitted another update form in June 2022 which BTL1 was unable to read.

In early July 2022 Miss D took advice elsewhere.

I think Pure Mortgage caused delays with Miss D's applications:

- between 4 March 2022 (when Miss D provided the necessary documents for the application) and 12 April 2022 (when Pure Mortgage submitted the application to BTL1).
- there were further delays from mid-April 2022 when BTL1 asked for information which wasn't provided.
- from what Miss D says, Pure Mortgage didn't submit an application for the residential mortgage. If so, this likely meant it didn't secure an interest rate product for her. This could explain why it didn't provide information requested by BTL1 about the residential mortgage commitment.
- There were further delays when the broker was away from work in June 2022.

This was during a period of interest rate rises. While Pure Mortgage says it had trouble with BTL1's systems, it hasn't provided evidence to support this. If problems with BTL1's systems meant it couldn't submit an application for nearly six weeks I think it should have discussed with Miss D whether to apply to a different lender.

If it did submit an application to B1, Pure Mortgage should provide evidence of this and how the application progressed. If not, it should explain why this was given that interest rates were rising.

Issues raised by Pure Mortgage about why the mortgages it recommended couldn't have completed

Pure Mortgage said Miss D wouldn't have been able to complete on her buy to let re-mortgage and residential mortgage before early July 2022.

First, Miss D had applied to extend the lease for the buy to let property in mid-2021 and this hadn't been updated by the Land Registry. A previous lender's charge was still on the title. The re-mortgage of the buy to let property couldn't proceed until the Land Registry updated the title. Miss D's emails suggest this didn't happen before mid-August 2022. Most likely though this issue would have been spotted by the conveyancers and sorted out sooner if Miss D had received mortgage offers earlier in 2022.

Second, Miss D was offered a new job in early July 2022, with a salary increase of £6,000. Miss D started the new job in late August 2023. Pure Mortgage said even if Miss D had received mortgage offers from B1 and BTL1 they'd have had to be notified of her new job as this was a material change and she'd have had to provide a months' payslip.

The change in Miss D's job wasn't a problem for the two lenders that issued mortgage offers to her. But even if this had delayed completion, based on the evidence provided by Pure Mortgage, it's unlikely it would have resulted in the lenders withdrawing a mortgage offer. Most likely Miss D would have kept the benefit of any lower interest rate products.

Third, Pure Mortgage updated Miss D's application with BTL1 at the end of August 2022. BTL1 said the application failed on affordability grounds by about £100 per month. BTL1 said it would lend about £103,000 rather than the £128,000 applied for. I note that Pure Mortgage submitted monthly payments for the residential mortgage Miss D was offered by BTL2 not the mortgage it recommended in March 2022. The payments were about £70 per month higher, probably because of the higher interest rate.

It's not as clear as Pure Mortgage suggests that Miss D would have failed BTL1's affordability tests had the application proceeded in March 2022. But if she had, she'd have been able to make an application to another lender before interest rates increased.

Pure Mortgage also said Miss D only started to receive rental income from the end of January 2022. I note that the intermediary's search form provided by Pure Mortgage said the application would be assessed on the applicant's income and not rental income. Miss D says she was asked for payslips but not asked to provide proof of rental income. She says she could have increased the rent, as she's now done anyway.

Fourth, Pure Mortgage says the number of potential lenders for the buy to let mortgage was reduced because Miss D's sister lived at the property. It said BTL2 didn't offer buy to let mortgages when a member of the family was living in the property, so an application couldn't have been made to BTL2 until she'd moved out. To support this, it provided an intermediary's search form which listed potential lenders. BTL2 isn't on the list, but then nor is BTL1.

The fact find says Miss D's sister had been living at the property for about six months after separating from a partner. Miss D says her sister moved out at the end of June 2022. This looks to have been a temporary arrangement. Given that Miss D's sister had moved out, it's unlikely this would have been a problem for a mortgage completing after June 2022 – and it's possible she'd have moved out sooner if this was a problem.

Presumably, Miss D's sister planned to move out some time before doing so. I think an application could have been made on the basis Miss D's sister would move out before completion. If Pure Mortgage disagrees, it should explain why and provide evidence to support what it says. If Miss D's sister had planned on staying in the property after the mortgage completed, it would presumably have been possible to make an application to one of the potential lenders listed on the intermediary's search form.

Miss D was offered mortgages by high street lenders in July 2022. Her financial circumstances didn't change between March 2022 and early July 2022. I think this strongly suggests applications made earlier in 2022 would have been successful, and Miss D would have been able to choose from products with lower interest rates.

Did Pure Mortgage cause Miss D financial loss?

Miss D says she'll pay about £200 per month more for her two mortgages than she'd have paid for the two mortgages recommended by Pure Mortgage.

It's not clear that Miss D's financial loss is the difference between the cost of the mortgages recommended in early March 2022 and the mortgages she took out. It's difficult to say with certainty that Miss D would have received mortgage offers from B1 and BTL1. It's possible

that the problems with the application to BTL1 between early March 2022 and June 2022 were due to BTL1's systems. It's also possible that Miss D wouldn't have met BTL1's affordability criteria for the amount she wanted to borrow. As it seems no application was made to B1 we don't know how this would have progressed.

But I think Miss D lost the opportunity to apply for mortgages before interest rates increased. Miss D's applications to B2 and BTL2 were successful, and I think this would have been the case if applications had been submitted earlier in 2022. We asked these lenders for their rates between March 2022 and July 2022.

Residential mortgage: B2's interest rates for equivalent products (with the same loan to value, product fee and term) were 2.57% (from 25 March 2022 to 11 April 2022) and 2.82% (from 12 April 2022 to 8 June 2022). The rate in the mortgage offer issued to Miss D was 3.45%.

Buy to let mortgage: BTL2's interest rates for equivalent products (with the same loan to value, product fee and term) were 2.15% (from 14 March 2022 to 3 April 2022); 2.53% (from 4 April 2022 to 15 May 2022) and 2.49% (from 16 May 2022 to 7 June 2022). The rate in the mortgage offer issued to Miss D was 3.05%.

If an application was started – or attempted – with BTL1 first, this would have delayed an application to another lender. I appreciate there were complications here, with the residential application dependent on the buy to let application and Miss D's sister living at the property until the end of June 2022. But, even after taking this into account, I can't see why applications couldn't have been submitted in time for Miss D to benefit from the 2.57% rate on her residential mortgage and the 2.49% rate on the buy to let mortgage.

I think Pure Mortgage should compensate Miss D for her additional interest costs on this basis. It should provide calculations in response to this provisional decision. I think it already has the information it needs to do this (such as the mortgage offers from B2 and BTL2), but if not, it can ask for what it needs.

I think Pure Mortgage should refund any fees it received from Miss D and any other costs she incurred in relation to the applications to B1 and BTL1, plus interest at 8% simple.

I don't think it's fair to require Pure Mortgage to pay for the fees and costs related to the advice Miss D received from the other broker or the successful applications. These are costs she'd have incurred if she'd gone directly to the other broker.

I think it is fair to require Pure Mortgage to pay compensation for the upset and inconvenience its poor service and delays caused to Miss D. She had to provide evidence to a new broker and to support new mortgage applications. She'd have been worried about the delays, especially when she was unable to contact her broker at Pure Mortgage. Miss D says she had to leave her rented property before her purchase completed. She went ahead with her purchase and mortgages in the belief that Pure Mortgage would compensate her for the additional interest, and was then told this wasn't the case. Taking all this into account, I think Pure Mortgage should pay compensation of £400 to Miss D.

Both parties will now have an opportunity to comment and provide further evidence.

How did the parties respond to my provisional decision?

Miss D made the following points:

- She had to pay the second broker a higher fee to deal with the matter on a priority basis,

due to the delays caused by Pure Mortgage.

- The second broker made applications to lenders that could deal with an application quickly, rather than those offering the most competitive rates.
- When Pure Mortgage asked her for updated documents in April 2022 it said this was because BTL1 had a backlog, it didn't say it had problems submitting the application.

Pure Mortgage repeated previous points, about Miss D not receiving rent for the buy to let property. It also said in summary:

- When it spoke to Miss D in late 2021 and in June 2022 her sister had no plans to move out of the property and there was no suggestion that asking her to leave was an option.
- It wasn't possible to submit an application to any unregulated buy to let lender while a relative was living at the property.
- It provided copies of chat transcripts from 11 April 2022 with BTL1 about whether it was acceptable for a relative to live in the property. BTL1 said this was up to the valuer.
- It provided an undated chat transcript with BTL2 where it said a relative living in a property would have to move out before an application was submitted.
- It thought Miss D would have continued with her purchase regardless of its offer of compensation. It said it offered compensation on the basis there was no change in Miss D's circumstances. It didn't know her sister had moved out, meaning an application could be made to other buy to let lenders.

What I've decided – and why

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Having read the comments from the parties, I'm not persuaded to change my findings that Pure Mortgage made errors and caused delays.

I'd add that its chat transcript with BTL1 on 11 April 2022 suggests it hadn't yet submitted – or tried to submit – an application on behalf of Miss D. If it had been trying to submit an application for nearly six weeks, I'd expect it to provide evidence of a somewhat different conversation.

Pure Mortgage's comment that "*it was not possible to submit an application with any lender*" while Miss D's sister was living at the property isn't consistent with what it said previously. It had previously said this restricted the number of lenders and provided an intermediary's search form which (it said) listed potential lenders when a relative lives in the property.

But if this is right, Pure Mortgage should have told Miss D this at the outset so that she (and her sister) could decide what to do. There was no need for Miss D to discuss moving out with her sister if Pure Mortgage hadn't said it was necessary to secure a mortgage. Instead, based on what Pure Mortgage told her, Miss D looked for and made an offer to buy a property on the basis she'd be able to take out a buy to let mortgage to fund the deposit

while her sister remained in the property.

Pure Mortgage has given a variety of reasons as to why it says Miss D wouldn't have been offered a mortgage, or wouldn't have been offered a mortgage sooner or at a better rate.

We can't of course be certain what would have happened if Pure Mortgage had provided better service and advice in March 2022. But, ultimately, Miss D was offered a buy to let and a residential mortgage. She received offers within a short time after applications were submitted and these mortgages completed at the interest rates in the offers. I agree that the applications were not straightforward. But to the extent the issues raised by Pure Mortgage were problems, I think it's likely they'd have been resolved sooner if Miss D had received better advice and service from Pure Mortgage in March 2022.

Because of delays caused by Pure Mortgage, Miss D lost the opportunity to apply for mortgages before interest rates increased. Even allowing time for the issues raised by Pure Mortgage to be resolved (if necessary) I think Miss D could have secured mortgages with BTL2 and B2 at rates available earlier in 2022.

I've re-considered the redress I proposed in my provisional decision in light of the parties' further comments. Having done so, I still think it's fair and reasonable in the circumstances, with one change that the parties are aware of.

I asked Pure Mortgage to provide calculations in response to my provisional decision. I'm sorry it didn't do this, as this is intended to reduce the risk of a misunderstanding or dispute after the final decision.

Pure Mortgage should calculate:

- the amount of interest Miss D will pay for her mortgage with B2 at the product interest rate from completion until the expiry of the product she took out.
- the amount of interest Miss D will pay for her mortgage with BTL2 at the product interest rate from completion until the expiry of the product she took out.
- the amount of interest Miss D would have paid for her mortgage with B2 from completion until the expiry of the product she took out if the interest rate had been 2.57%.
- the amount of interest Miss D would have paid for her mortgage with BTL2 from completion until the expiry of the product she took out if the interest rate had been 2.49%.

For the purposes of the calculation Pure Mortgage should assume all mortgage payments are made on time.

- Pure Mortgage should add together the results of 1 and 2, and deduct from this the results of 3 and 4.

Pure Mortgage should pay the resulting amount to Miss D. It should send a copy of its calculations to Miss D.

Miss D confirmed she didn't pay fees to Pure Mortgage.

Miss D says she paid for a priority service with her new broker, and the mortgage applications were made to lenders with a short application period rather than those offering the best rates. She said this wouldn't have been necessary if there hadn't been the delays

caused by Pure Mortgage.

I don't think it would be fair to base compensation on rates offered by other lenders. I can't be uncertain these lenders would have offered mortgages to Miss D. But I do agree that Pure Mortgage should compensate Miss D for the additional cost of the broker's priority service. Miss D provided evidence that the additional cost was £400 and Pure Mortgage agreed to pay this.

I think it's fair to require Pure Mortgage to pay compensation for the upset and inconvenience its poor service and delays caused to Miss D. She had to provide evidence to a new broker and to support new mortgage applications. She'd have been worried about the delays, especially when she was unable to contact her broker at Pure Mortgage. Miss D says she had to leave her rented property before her purchase completed. She went ahead with her purchase and mortgages in the belief that Pure Mortgage would compensate her for the additional interest, and was then told this wasn't the case. Taking all this into account, I think Pure Mortgage should pay compensation of £400 to Miss D.

My final decision

My decision is that I uphold this complaint and order Pure Mortgage Ltd to pay to Miss D:

- Compensation calculated as set out above. It should also send a copy of its calculations to Miss D; plus
- £800.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 2 November 2023.

Ruth Stevenson
Ombudsman