

The complaint

Mr and Mrs M complain that delays by more 2 life Limited trading as Standard Life Home Finance (SLHF) resulted in them not being able to complete on the lifetime mortgage they'd applied for.

What happened

Mr and Mrs M applied for a lifetime mortgage – a form of equity release – with SLHF.

A valuation took place and SLHF issued a mortgage offer on 17 September 2022. It offered to lend £105,000 at an interest rate of 4.22% fixed for the life of the loan. The offer was valid until 30 October 2022.

In addition, because Mr and Mrs M's property was unregistered, SLHF required the property to be registered with the Land Registry before the mortgage could complete.

This didn't happen in time, and the offer expired. SLHF agreed an extension, and on 7 November 2022 it issued a new mortgage offer on the same terms. This offer expired on 11 December 2022. SLHF says it told Mr and Mrs M that this was the maximum time it could give and there couldn't be any further extensions. This offer contained the following special condition, which had not been in the September offer:

“Prior to the release of monies Standard Life require proof of ID and Age for [Mr M] for review prior to completion”

On 30 November SLHF said it was satisfied with the property title status. However, the mortgage didn't complete in time because of the requirement for Mr M's ID documents.

Mr and Mrs M asked SLHF to extend the offer further, but it said it couldn't do that. It issued a new offer, this time at an interest rate of 6.47%. Mr and Mrs M asked SLHF to reconsider, but it wouldn't do so. So they decided not to go ahead with the mortgage.

Mr and Mrs M complained. They said it wasn't fair that the mortgage hadn't completed in time. They said that SLHF or its solicitors should have asked for ID documents sooner, and if they'd done so the mortgage would have completed on time.

Mr and Mrs M say that the impact of this on them has been that they haven't been able to carry out their plans for using the money – including home improvements, supporting family and an improved lifestyle. To put things right they want SLHF to grant them a mortgage at the interest rate of 4.22% set out in the original offer.

SLHF said it had made clear the offer couldn't be extended beyond 11 December. It was unfortunate that the mortgage didn't complete in time, but it didn't think it had done anything wrong.

Our investigator said that it was reasonable to request proof of ID for Mr M – but not reasonable to do so only at the last minute. He said that if the request had been made earlier, the mortgage would have completed in time and Mr and Mrs M wouldn't have lost out

on the interest rate. He said that SLHF should allow Mr and Mrs M to take a mortgage at 4.22%. And he said it should pay them £200 compensation for the upset caused.

Mr and Mrs M accepted that. But SLHF didn't. It said it couldn't offer a mortgage at that rate because it didn't have funding in place to do so. It said Mr and Mrs M hadn't suffered a loss because they hadn't taken the later mortgage offer at the higher rate. It offered instead to pay Mr and Mrs M £500 compensation and to pay for them to obtain mortgage advice to find another mortgage now. Mr and Mrs M didn't accept that offer, so the case comes to me for a 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.

It's reasonable – indeed, it's necessary – for lenders to carry out identity checks before granting a mortgage. I don't think it was unreasonable for SLHF to ask for further identity documents for Mr M when its initial checks couldn't verify his identity information fully.

However, this is something that ought to have been addressed at the start. I can see SLHF checked the identity information it initially received for Mr and Mrs M on 8 September. It was satisfied with the proof Mrs M provided but needed further proof for Mr M.

There's no evidence SLHF did anything about this for some time. It didn't include the requirement for further proof of identity as a special condition in the first mortgage offer, only including it in the second one issued in November. It didn't ask Mr and Mrs M or their broker for more evidence. And it didn't request that its solicitors ask Mr and Mrs M's solicitors either.

It seems the first time this was raised was when it was included as a special condition in the second mortgage offer. But I've not seen any evidence that SLHF or its solicitors did anything to tell Mr and Mrs M or their solicitors that what it had already received wasn't enough or that it needed more evidence to satisfy that condition.

Mr and Mrs M's solicitors sent everything they thought was needed to SLHF's solicitors in October and November 2022, asking whether everything was in order. According to SLHF's solicitors, it was only on 8 December that they asked Mr and Mrs M's solicitors for further identity evidence. This was provided on 9 December and sent to SLHF the same day, but SLHF didn't approve it until 14 December – after the offer had expired.

In my view SLHF ought to have raised this much sooner – rather than including it as a special condition (without explaining that what had already been received wasn't enough) in November. Having realised there was an issue and belatedly added the special condition, it ought to have made clear what was needed. And it ought then to have made sure its solicitors raised this with Mr and Mrs M's solicitors when the offer was sent out – not weeks later, three days before the offer expired. Finally, when the evidence was provided it ought to have recognised that – because of its own delays – there was an urgent need to review it quickly before the offer expired. But SLHF did none of those things, and didn't treat Mr and Mrs M fairly as a result.

Once it was raised with them, Mr and Mrs M provided the further evidence needed and it was accepted by SLHF. Had they been asked to provide further evidence sooner, I have no doubt they would have done so, and had this happened there would have been no barrier to the mortgage completing on time.

In other words, had SLHF acted sooner to make sure Mr and Mrs M could satisfy its

requirements, they would have been able to borrow what they wanted at the interest rate offered. It follows that SLHF should put them back in that position now.

Putting things right

To put things right, SLHF should offer Mr and Mrs M a mortgage on the same terms – for the same amount, at the same interest rate of 4.22% - as it offered previously.

SLHF says it can't do this because the relevant funding is no longer in place. But I don't think that's a reason not to offer fair redress in this case. Had SLHF acted fairly, the offer would have completed while funding was in place. If funding is no longer available that does not mean that Mr and Mrs M haven't been treated unfairly, or aren't entitled to redress. If SLHF isn't able to obtain external funding for this mortgage, either in full or at all, it will need to make up the difference itself.

SLHF also says that Mr and Mrs M haven't suffered a loss, because they didn't take the later offer of a mortgage at the higher interest rate. I don't agree about that either. Because of increases in interest rates since, that interest rate is no longer available to them and isn't likely to be for some time if ever. Mr and Mrs M have lost the opportunity to take the borrowing they wanted, for the purposes they wanted, without incurring a larger cost than they would have done had SLHF acted fairly.

SLHF says that the mortgage might no longer be appropriate for them. I'm not aware of any change in circumstances since the application. But if SLHF requires them to take further advice before issuing a new mortgage offer, it will need to make arrangements for them to do so – including covering the cost of any new advice. And if a further valuation is required, that should be at SLHF's expense too. I don't require it to also cover Mr and Mrs M's legal fees since I can see that their solicitors didn't charge them for the first abortive application, so Mr and Mrs M won't have to pay legal fees twice.

Finally, Mr and Mrs M were caused upset and inconvenience by the failure of their mortgage application. They've accepted the investigator's recommendation of £200 compensation for that, and I think that's fair.

My final decision

My final decision is that I uphold this complaint and direct more 2 life Limited trading as Standard Life Home Finance to:

- Offer Mr and Mrs M a new mortgage, for the same amount at the same interest rate, as the original September 2022 offer. Should a further valuation and / or further advice be required, SLHF should cover those costs.
- Pay Mr and Mrs M £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 13 February 2024.

Simon Pugh
Ombudsman