

The complaint

Mr B and Mrs B complaint that when they sourced a mortgage with the help of London and Country Mortgages Ltd (“L&C”) their broker didn’t make sure that the fixed interest rate on their mortgage ran for a full five years. They told us about the difficulties this is causing now.

What happened

Whilst this complaint is brought by both Mr B and Mrs B, as the mortgage is in both their names, our dealings have been with Mr B. So I’ll mainly refer to him in this decision.

Mr B approached L&C for help finding a mortgage in 2018, and he completed his purchase in early 2019. He took out a fixed rate mortgage and started making payments in February 2019. Mr B said he’d expected the fixed rate period would run for five years from then.

Mr B said that he got correspondence from L&C early in 2023 saying that his mortgage deal was due to expire shortly, but he said he hadn’t expected that to happen so early.

Mr B said he’d recently been told that the fixed rate on his mortgage runs out 30 September 2023. But he said he couldn’t remortgage until 20 January 2024, because the purchase of the property involved a restriction which will prevent him remortgaging for the first five years of ownership.

Mr B said he would now need to move to a variable rate until the restriction ended, which would cost him a lot of money. The only other option was further expensive legal work, and that might not solve the problem.

Mr B said he signed the documents for the mortgage in September 2018, but it was then a further five months before the purchase went through. Mr B said he would have expected L&C to tell him if the fixed rate would only last for four and a half years, and he could have negotiated a new mortgage deal to cover the five years. Or he said L&C should have made sure that the fixed interest rate period aligned with the restriction on his property. Because L&C hadn’t done that, he thought L&C should pay the difference in the mortgage rate he has to pay until January 2024, or pay compensation for the extra cost he would incur.

L&C said that it sent Mr B a recommendation for the mortgage that he ended up taking out, and the end date of the fixed rate was clearly stated on that letter. The fixed rate ended on 30 September 2023. Mr B accepted the recommendation and the offer.

L&C said when Mr B applied, there was only one lender which would start a fixed rate period from the date of completion of the purchase. And L&C said this lender had already turned Mr B down, before it became involved. L&C said all other lenders have products with fixed end dates that cannot be changed. And Mr B had told L&C he needed a mortgage in place urgently, so L&C could not have delayed his application in order to push the fixed term end date forward. L&C didn’t think it had done anything wrong.

Our investigator didn't think this complaint should be upheld. He said he could hear that Mr B told L&C he needed to get the mortgage in place quickly, so L&C couldn't have delayed the mortgage application. The offer confirmed the period that the fixed rate applied for, and L&C didn't have control over that. Mr B would have needed to say, if that wasn't suitable for him.

Our investigator also said it wasn't L&C's fault that this purchase was then delayed. An extension to the offer was secured in December, but the extension made clear the fixed rate period remained the same. Our investigator said although Mr B had said the solicitor sent him paperwork which asked him when he wanted the fixed rate period to start, all that paperwork actually did was discuss a preferred completion date for the purchase of the property and the start of Mr B's mortgage. It didn't have any effect on the end date for the fixed interest rate period, that was already agreed in the mortgage offer.

Mr B didn't agree. He said the mortgage offer was valid for six months, and completion then happened in 2019, with his first payment made on 1 February 2019. Mr B said the earlier refusal to lend had no effect on this case. He still thought that the mortgage offer he got was supposed to be fixed for five years, in line with everything else.

Our investigator didn't change his mind. He said Mr B hadn't asked for a different end date for the fixed rate period, when his mortgage offer was extended. And his fixed term period ended before the restriction on his property was lifted because of other delays in the purchase, which were nothing to do with L&C.

Our investigator still thought Mr B's only option for a mortgage was a with a lender who had a set date for when the fixed rate would end.

Mr B said the solicitor worked for L&C, not him, and he didn't even know an extension had been requested on the mortgage offer. Mr B said he should have been told about this. Mr B sent us some of his original mortgage documents, and asked us to reconsider. He said he hadn't been made aware that the fixed term would not run for a full five years.

Because no agreement was reached, this case then came 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.

I've reached the same overall conclusion on this complaint as our investigator.

I've listened to the recording of the fact finding call Mr B had with L&C in 2018. Mr B told L&C the mortgage application was urgent, so he could confirm that he would be able to purchase. So I'm satisfied L&C needed to secure a mortgage application for Mr B right away.

Mr B had already had one mortgage application declined, due to issues with the property valuation, before he approached L&C. This is only relevant, because L&C told us that the lender which had already turned Mr B down, was the only lender who would start a five year fixed rate period from the date the property purchase was completed. So that's the only lender Mr B could have opted for, and got a fixed rate which ran out at the same time as the restriction on his property expired. And we know that lender wouldn't lend to Mr B.

In my experience, although mortgage brokers may refer to a "*five year fixed rate*" that's usually shorthand for a rate which will last for around five years. There is often a pre-set

expiry date which is set out in the offer. That means whenever a purchase is done, the rate will still expire on the date provided in the offer. And that's what happened here.

I don't think it's automatically unfair for Mr B's rate to have lasted a little less than five years. I would, though, want to see that this was clear from all the documentation that Mr B received. And I think it was. L&C sent Mr B a recommendation letter on 1 August 2018. That letter set out the rate, and the expiry date for that fixed rate, on the first page.

Importantly, this letter didn't say Mr B was getting a five year fixed rate. It said that Mr B was getting a rate which was fixed until 30 September 2023.

Mr B said he then didn't know that his solicitor had applied for an extension to his mortgage offer. But I think he did. L&C's files from the time include an email from Mr B, where he asked L&C to get an extension to his mortgage offer. That email was dated 4 December 2018. The extension was then secured, as our investigator said, by Mr B's solicitors, and it was sent to L&C by Mr B himself on 20 December. The extension documents again make clear that the fixed rate period will expire on 30 September 2023.

I understand why Mr B would have very much preferred a fixed rate which ran for the same time period as the restriction on his property. But for the reasons set out above, I don't think L&C was ever able to get that for him. I also don't think L&C was responsible in any way for the delay in Mr B's purchase which happened after his mortgage offer was secured, and which was unrelated to his mortgage. I don't think it was then L&C's responsibility to prompt Mr B to apply again for a different mortgage, so that he could secure a fixed rate deal that might run for a little longer.

I understand that Mr B says the solicitors he engaged were working for L&C, but I think that the nature of property transactions means it's most likely they were working for him, and perhaps also for his lender. I don't think I am able to consider the actions of those solicitors as part of this complaint, so I won't comment on any advice Mr B did or did not receive there.

I know that Mr B will be disappointed by my decision, but I don't think that L&C has been unfair or unreasonable here. So I don't think that Mr B's complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 15 April 2024.

Esther Absalom-Gough

Ombudsman