

The complaint

Mr and Mrs C complain that London and Country Mortgages Ltd caused delays with their re-mortgage. Mr and Mrs C ask for compensation for their additional interest costs and their distress and inconvenience.

What happened

Mr and Mrs C took mortgage advice from L&C in May 2022. They wanted to re-mortgage and repay a help to buy equity loan. The mortgage completed in early 2023.

From August 2022 Mr and Mrs C's mortgage was on their lender's standard variable rate (SVR). They say this caused them financial hardship and they relied on credit cards for expenditure, incurring further interest costs. In late 2022 the solicitors told them there was a shortfall in funds – the mortgage loan wasn't enough to repay their existing loan and the help to buy loan. Mr C says this was due to L&C applying for the wrong amount.

I sent a provisional decision to the parties in which I said L&C made errors. I said that I thought the compensation paid by L&C for the upset and inconvenience caused by these errors was fair. I didn't think L&C was solely responsible for Mr and Mrs C having to find funds for the shortfall at completion, or that it was fair and reasonable to require L&C to pay the shortfall or further compensation for the upset caused. I also said that while I didn't think L&C was responsible for all of the delays with the mortgage completing, it should pay additional compensation for the delays that I thought it had caused.

L&C provided calculations for the cost to Mr and Mrs C of being on their lenders SVR for 35 days rather than the lenders product rate. It pointed out that it had already paid some of the compensation it offered to Mr and Mrs C.

Mr and Mrs C didn't agree. I've addressed Mr C's comments where appropriate below. Having done so, I'm not persuaded to change my findings or outcome from my provisional 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.

Mr and Mrs C are unhappy about the service provided by L&C, the lender and its solicitors, all of which they say contributed to delays with their re-mortgage.

I must be clear that I'm only looking into Mr and Mrs C's complaint about L&C here. Their complaint about the lender is being looked into separately. We can't look into Mr and Mrs C's concerns about the actions of the solicitor. I should also explain that 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.

Mr and Mrs C contacted L&C for mortgage advice in May 2022. They wanted to re-mortgage and take out additional borrowing to repay their help to buy loan.

L&C recommended a mortgage and submitted an application to the lender on 20 May 2022. Mr and Mrs C's mortgage completed in late January 2023. They say L&C is responsible for the delays.

I think L&C did make errors here, some of which caused delays with the mortgage application and/or upset and inconvenience to Mr and Mrs C.

The shortfall in the amount needed to repay the help to buy loan:

In mid-December 2022 the solicitor acting for the lender contacted Mr C to say there was a shortfall of about £4,000. L&C asked the lender to increase the mortgage loan but it declined. Mr C says this problem arose because L&C applied for the wrong amount.

Under the terms of the help to buy loan, the redemption amount is 20% of the property value. When Mr C first spoke to L&C he said the property value was £210,000. L&C estimated the cost of repaying the help to buy loan at £42,000.

However, the first mortgage adviser left L&C. L&C accepts the information given to Mr C by the second mortgage adviser about the cost of repaying the help to buy loan was unclear. And the mortgage application submitted by L&C asked for additional borrowing of £34,000 to consolidate the help to buy loan. This wasn't enough. There were opportunities for L&C to identify this. I think L&C ought to have been more proactive in asking Mr and Mrs C if they could cover the shortfall or if the amount in the mortgage application needed to be increased.

I'd note here that Mr and Mrs C hadn't at this point arranged a property valuation for the help to buy process. Following my provisional decision Mr C provided a copy of a valuation carried out on behalf of the help to buy administrator dated 5 December 2022. The property was valued at £195,000. The cost of repaying the help to buy loan would have been about £39,000.

Mr C says if L&C had applied for additional borrowing of £42,000 they'd have been able to repay the help to buy loan and receive about £3,000, meaning they're £7,000 out of pocket. I don't agree. Mr and Mrs C didn't lose £7,000. They borrowed £7,000 less than they'd have needed to consolidate the help to buy loan had the property been valued at £210,000.

L&C offered compensation of £150 for the error. I've taken into account Mr C's further comments, but I don't think it's fair and reasonable to require L&C to pay the shortfall or further compensation for its error.

First, this wasn't a loss for Mr and Mrs C. They owed the money to the help to buy scheme. If they'd increased their mortgage loan (whether the additional borrowing was used to repay the equity loan or to provide cash) they'd now have a larger mortgage loan to repay.

Second, I don't think I can fairly find that the lender would have offered a larger loan. The lender assessed the loan applied for as just affordable with a five-year product, and not affordable with a two-year product. If L&C had applied for a larger loan, the lender might have told Mr and Mrs C it wouldn't lend that amount. They might have had to reduce the amount applied for or re-apply elsewhere.

Third, I think Mr and Mrs C also had opportunities to sort the matter out sooner. For instance, Mr C emailed L&C on 27 May 2022 asking if the amount to be borrowed was

flexible as he wanted to consolidate the help to buy loan and didn't think the current amount to be paid had been taken into account. At this point Mr C was dealing with a member of customer support who said he thought it was possible to request a larger loan but would highly recommend he discuss this with the mortgage adviser to go over the financial details. I appreciate that Mr C disagrees, but I haven't seen evidence that Mr C did contact the mortgage adviser at that time to discuss applying for a larger loan.

Delays submitting Mr C's payslips to the lender:

L&C accepts it didn't submit Mr C's payslips to the lender in early June 2022. It offered to cover Mr and Mrs C's additional interest costs for 25 days in August 2022. It calculated this as £348. It offered £150 as an apology.

The lender asked for eight weeks payslips because L&C said in the application Mr and Mrs C were paid weekly. It's likely this caused them inconvenience in providing additional unnecessary payslips, and added to the confusion regarding the payslips.

L&C should have submitted Mr C's payslips in early June 2022 and the lender didn't receive them until late August 2022. This was a delay of about 10 weeks. There were other matters being dealt with, so I don't think it's fair to say this delayed Mr and Mrs C's application by 10 weeks. But I think the payslips were the most significant matter outstanding, in that the lender couldn't progress the application without them.

The lender said it would expect a simple application to be approved within 8 to 10 weeks. It took about 15 weeks to approve Mr and Mrs C's application. I think the problem with the payslips was largely responsible for this. I don't think L&C's offer to pay compensation for Mr and Mrs C being on their lenders SVR for 25 days was fair.

I think it would be fair for L&C to compensate Mr and Mrs C for being on their lenders SVR for five weeks (35 days) from 1 August 2022. I think this better reflects the delays caused by it not submitting Mr C's payslips until late August 2022.

Misspelling Mr C's name:

L&C accepts it misspelt Mr C's name in the application. This wasn't picked up until October 2022 when the solicitor asked Mr C to verify his name. L&C contacted the lender which arranged for a corrected mortgage offer to be sent out the same day. While L&C was responsible for the spelling error in the initial application, this doesn't seem to have caused any delays. L&C offered £50. I think this is fair and reasonable for the upset caused.

Delays after the mortgage offer was issued:

The mortgage offer was issued in late September 2022 and the mortgage completed in late January 2023 – four months later. Once a mortgage offer is issued, the work for completion is primarily carried out by the lender and its solicitors. The mortgage adviser's role is limited.

I don't think L&C was responsible for the delays with the mortgage completing. I think this was mainly due to delays in Mr and Mrs C providing documents to the solicitors for the redemption of the help to buy loan.

After my provisional decision Mr C confirmed that they didn't arrange a valuation on behalf of the help to buy scheme until the end of November 2022. It seems Mr and Mrs C expected the help to buy scheme administrator to rely on the valuation instructed by the lender in late May 2022. I don't know if the help to buy scheme administrator had said this was acceptable (the help to buy scheme rules say valuations for mortgage purposes aren't accepted). The

scheme rules also say the valuation can't be more than three months old. So even if the scheme administrator did accept the lender's valuation, it would have been out of date by late August 2022.

The solicitor told Mr C on 11 October 2022 that the help to buy redemption statement had expired. The solicitor asked Mr C for the help to buy loan redemption statement in early November 2022. This wasn't provided until 12 December 2022.

The mortgage couldn't complete until the outstanding mortgage and the help to buy loan were repaid. There was a period of two and a half months between the issue of the mortgage offer and the solicitor receiving the redemption statement for the help to buy loan. I can't see that L&C was at all responsible for this delay.

The solicitors then raised the issue with the shortfall. This wasn't sorted out before the redemption statement for Mr and Mrs C's existing mortgage expired on 20 December 2022. A new redemption statement had to be requested.

It's unclear if the mortgage could have completed before 20 December 2022 if there hadn't been a shortfall. But, as I said above, I don't think L&C was solely responsible for the shortfall. And there were significant delays after the mortgage offer was issued which L&C wasn't responsible for.

Putting things right

While I appreciate the situation generally was worrying and stressful for Mr and Mrs C, I can't fairly require L&C to pay compensation for this. I can require it to pay compensation for the additional upset and inconvenience caused by its errors. L&C offered compensation for its errors with Mr C's name (£50), the delay submitting his payslips (£150) and the unclear information about the cost of repaying the help to buy loan (£150). I think this is fair and reasonable in the circumstances.

I said in my provisional decision that L&C should pay compensation for Mr and Mrs C being on their lenders SVR for 35 days from 1 August 2022.

Mr C said that L&C should pay compensation for them being on their lender's SVR from 1 August 2022 to 25 January 2023. I could only fairly require this if I thought L&C was responsible for all the delays over this period, and I've explained why I don't think that's the case.

I've considered whether the delays for which L&C is responsible caused further loss – for instance if its errors were the reason that the mortgage didn't complete before 20 December 2022. I don't think this is likely. There were a number of matters here which meant the re-mortgage took longer than usual. The lender had concerns about affordability and asked for further evidence and a change in the selected product. There was a considerable delay after the mortgage offer was issued while a valuation on behalf of the help to buy scheme administrator was arranged and a redemption statement issued. And the solicitors then needed to complete the legal work and co-ordinate redemption of the mortgage and help to buy loan. I don't think I can fairly find that any errors by L&C were the main or only reason for completion of the mortgage being delayed.

My final decision

My decision is that I uphold this complaint and order London and Country Mortgages Ltd to pay the compensation set out above (it can deduct any amounts already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 21 November 2023.

Ruth Stevenson
Ombudsman