

## **The complaint**

Mr and Mrs P complain that they were wrongly advised by London and Country Mortgages Ltd (trading as L&C Mortgages) that they'd be able to retain the mortgage product they'd applied for if they changed the property they wanted to buy. As a result, they missed out on lower interest rate products. They also complain about poor service and delays.

## **What happened**

Mr and Mrs P took mortgage advice from L&C Mortgages in November 2021. They'd found a property, but were still looking at other properties. Interest rates were increasing and they wanted to secure a product. L&C Mortgages submitted an application on their behalf.

Shortly, after this Mr and Mrs P had an offer accepted on a different property. They say they weren't told until January 2022 that this meant they had to choose a new product, at which point interest rates had increased. Mr and Mrs P say this will cost them about £8,000 in additional interest.

L&C Mortgages said while it had told Mr and Mrs P they could make changes to the application it didn't tell them they'd be able to keep the product rate. It said this was at the lender's discretion. It offered £200 compensation for issues Mr and Mrs P experienced with its online portal and the speed of their application.

I sent a provisional decision to the parties explaining why I intended to uphold the complaint. I said L&C Mortgages hadn't explained clearly to Mr and Mrs P in November 2021 that it was up to the lender to decide whether they were able to keep the product. And L&C Mortgages didn't chase the lender for a decision. As a result, I said Mr and Mrs P missed the opportunity to decide whether to choose a new product in late 2021. I said L&C should pay compensation based on the rate Mr and Mrs P could have taken out in early December 2021 and £400 compensation (in total) for the upset caused.

Mr and Mrs P said they'd have pushed to get the lower rate that was available until the end of November 2021 if they'd been made aware of the risks. They said they had to chase L&C Mortgages for updates with the application. However, they said they'd accept the compensation in my provisional decision.

L&C Mortgages didn't agree with my provisional decision. It said the lender's usual policy was to allow customers to keep the rate unless a change in the loan to value meant they needed to choose a product from a different loan to value range, which wasn't the case here.

L&C also said it didn't chase the lender for a response as, based on the lender's usual policy and that it didn't notify it otherwise, it had no expectation that the rate wouldn't be retained. It said its staff were in regular contact with the lender which had ample opportunity to confirm a new rate was required, and the lender might not have been in a position to give an answer earlier.

## **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.

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 P took mortgage advice from L&C Mortgages in late 2021. Mr and Mrs P were unsure about the property they'd agreed to buy. L&C Mortgages suggested waiting until they found another property, but Mr and Mrs P wanted to secure an interest rate product before rates increased. L&C Mortgages submitted an application on their behalf on 9 November 2021. This had a 1.19% fixed interest rate product.

On 18 November 2021 Mr and Mrs P told L&C Mortgages they'd had an offer accepted for a different property. L&C Mortgages called the lender the next day and asked if the interest rate would stay the same if they changed the property. The lender said L&C Mortgages should submit the change of details form and the case manager would let it know if there's anything further that it required it to do. L&C Mortgages submitted the change form to the lender.

The lender told L&C Mortgages that Mr and Mrs P needed to choose a new product on 19 January 2022. They took out a five-year 1.64% fixed interest rate product with the same lender. At this point, Mr and Mrs P say it was too close to completion for them to look elsewhere.

It was the lender's decision not to allow Mr and Mrs P to retain the 1.19% interest rate product after the change of property. So the fact that Mr and Mrs P weren't able to retain this product isn't due to any error by L&C Mortgages. To put it another way, there is nothing L&C Mortgages could have done differently that would have meant Mr and Mrs P could keep the 1.19% rate.

The issue here is whether L&C Mortgages gave Mr and Mrs P clear information in mid-November 2021 about their options and the risk that the lender might not let them keep the product. And if not, what the consequences of that were.

I've listened to L&C Mortgages' call with the lender on 19 November 2021. L&C Mortgages asked whether Mr and Mrs P could keep the product after changing the property. The lender said it would review the change form and advise whether L&C Mortgages needed to do anything more. The lender didn't give L&C Mortgages a clear answer, so, in fairness, it couldn't have told Mr and Mrs P at that time whether or not they'd be able to keep the rate.

L&C Mortgages spoke to Mrs P later that day. It says it didn't give her any assurances that they'd be able to keep the rate if they changed properties. But L&C Mortgages' adviser said that changing the loan amount might mean changing the product. He didn't say that this could be the case with the change of property. He said if the loan amount was the same and the purchase price was different (as was the case here), "they could probably get away with" keeping the same product. Mrs P agreed not to change the loan amount.

Having listened to L&C Mortgages' call with Mrs P I think she'd have been left with the impression that they'd be able to keep the product if they didn't change the loan amount. From what L&C Mortgages has said, that's what it expected to happen. But that isn't what the lender said on the recorded phone call. It simply said it would let L&C Mortgages know what it needed to do.

L&C Mortgages provided a message from the lender sent in July 2023 which seems to be a response to a request for information about its approach when there's a change of property. The lender said "You would need to complete COA (Change of Application Form) with new property details and upload this to the online portal and if LTV is not affected can keep same rate". L&C Mortgages says the lender's reference to the LTV not being affected is that the LTV stayed within the same product range.

I don't know why the lender didn't allow Mr and Mrs P to retain the product. L&C Mortgages suggests there could be a reason not related to the change in the property – although it hasn't said what this could be. But, based on what the lender told L&C Mortgages in November 2021, I think L&C Mortgages should have told Mr and Mrs P that it had asked the lender if they'd be able to keep the product rate and they had to wait for the lender to review the change form and let them know.

L&C Mortgages says the lender had said it would let L&C Mortgages know what it needed to do, and it was reasonable for it to assume it didn't need to do anything. L&C Mortgages says it spoke to the lender a number of times in late 2021 and the lender had ample opportunity to say Mr and Mrs P had to choose a new rate before mid-January 2022. L&C said the product wasn't mentioned on these calls.

I'm not looking into the actions of the lender here, or whether the lender could or should have told L&C Mortgages sooner that Mr and Mrs P had to choose a new rate. I'm only considering Mr and Mrs P's complaint about L&C Mortgages.

I don't think it was reasonable for L&C Mortgages to wait two months rather than ask the lender to confirm whether Mr and Mrs P needed to choose a new rate. In response to my provisional decision, L&C Mortgages said the lender's usual policy is to allow changes to an application without the loss of the rate applied for. It said the information provided by the lender in this call was contrary to its normal policy. But L&C Mortgages called the lender and asked whether the rate would be retained if the property changed. If anything, the fact that its response was different to what L&C Mortgages expected should have alerted it to the possibility this policy had changed or didn't apply here.

This happened in late 2021 when mortgage lenders were increasing interest rates. I think it would have been reasonable for L&C Mortgages to ask the lender if it could provide an answer as to whether Mr and Mrs P could keep the rate. And if Mr and Mrs P had known what the lender said on the call in November 2021, I think they'd have wanted L&C Mortgages to do so.

So I think L&C Mortgages made two errors. It didn't tell Mr and Mrs P that the lender had said it would review the change form and let them know if they could keep the rate. Instead, it gave them the impression this would happen if they didn't change the loan amount. And it didn't chase the lender for an answer.

Had Mr and Mrs P known there was a risk they might not be able to keep the rate, they could have decided whether to wait for the lender to respond or look for a new product.

It's difficult now to know whether Mr and Mrs P would have found a better rate from another lender or if an application to a different lender would have been successful. But it's likely they would have been able to choose a new product with the same lender.

We asked the lender for information about the product rates available in late 2021. Mr and Mrs P took out a five-year fixed interest rate product. Interest rates for the equivalent products available from the same lender were 1.49% (from 16 November 2021 to 30

November 2021), 1.54% (from 1 December 2021 to 13 December 2021) and 1.64% (from 14 December 2021).

Mr and Mrs P say they'd have had time to apply for a new product before the end of November 2021, with the same or another lender. While I think that's right, what I have to decide is whether they'd have done so. Mr and Mrs P might have decided to apply for a new product with the same or a different lender immediately, before they heard back from the lender. But I think it's more likely they'd have waited for a week or two in the hope they'd be able to retain the 1.19% rate.

However, I don't think Mr and Mrs P would have waited two months to hear back, or much more than two weeks. L&C Mortgages has said Mr and Mrs P were concerned to secure an interest rate product and with interest rates generally continuing to rise I think they'd have wanted certainty. I think Mr and Mrs P would have asked L&C Mortgages to chase the lender for an answer.

While I don't know if the lender would have responded before the end of November 2021, I think it's reasonable to assume that the lender would – if chased – have confirmed that Mr and Mrs P needed to choose a new rate before mid-December 2021. If the lender was still unable to give an answer, Mr and Mrs P would have had to decide whether to continue to wait or apply for a new product. Waiting would have left them not knowing when they'd have an answer or what product rates might be available at that time. Given Mr and Mrs P said at the outset they wanted to secure a rate before rates increased (and rates had increased since then) I think they'd have re-applied with a new rate for the certainty this would provide.

I think, if Mr and Mrs P had been told there was a real risk that they wouldn't be able to keep the product, they would most likely have chosen a new rate with the same lender at the rates available in early December 2021.

### **Putting things right**

I think L&C Mortgages should compensate Mr and Mrs P for their additional interest costs, having missed out on the 1.54% five-year product available in early December 2021. L&C Mortgages sent a calculation of the compensation in response to my provisional decision, which we shared with Mr and Mrs P.

L&C Mortgages offered £200 compensation for problems Mr and Mrs P experienced with their application and the online portal. I think L&C Mortgages should also pay compensation for the upset caused to Mr and Mrs P when they were told they had to choose a new product in January 2022, having previously been told they'd probably get away with keeping the same product. And when they did find out they couldn't keep the product it was too late for them to apply to other lenders. I think L&C Mortgages should pay another £200 for the upset this caused, bringing the compensation to £400 (in total).

### **My final decision**

My decision is that I uphold this complaint and order London and Country Mortgages Ltd (trading as L&C Mortgages) to pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 24 November 2023.

Ruth Stevenson  
**Ombudsman**

