

The complaint

Miss C complains about what happened when she asked a broker, Home in One Financial Services Limited (working through its appointed representative, Arun Estate Agencies Ltd trading as Mortgage Matters Direct ("MMD")) for help in arranging a mortgage.

What happened

Miss C said she'd discussed mortgages with MMD at the end of April. At the end of July she told it that she'd committed to buying a property, as the winner of an online auction, so she wanted to arrange a mortgage to complete the purchase. She had a meeting to start her mortgage application on 13 August. Following this, Miss C signed a draft contract for her purchase, and was then due to complete on the property by 1st November.

Miss C said she spoke to MMD at the end of September, and discovered nothing had been done on her mortgage, no application had yet been made. She said MMD claimed it was waiting for information from the auction house which she had already submitted herself.

Miss C said when her mortgage application was finally submitted in October, she didn't get any information on the product she'd applied for. So she didn't even know what the rate was, or what her monthly payments would be.

Miss C said the lender asked for a timber and damp report. But the seller wouldn't agree to that being carried out, as by this time Miss C's completion date was only days away, and was clearly going to be missed. So she said she asked MMD if she could use the survey she'd initially had completed herself. She said MMD didn't ask the lender if that survey would help, it just uploaded it, which caused more delays further down the line.

Miss C said then in mid-November MMD told her the lender wouldn't go ahead unless the essential works were completed, but didn't tell her what these essential works were. She said she discovered then that the lender wanted all the works listed on her survey, and the rate of her mortgage was too much for her to afford. She said she felt trapped, as she'd lose her deposit and legal fees if she pulled out of the purchase, so she had to go ahead.

Miss C said things only started to move when she complained about the broker, and a more senior person at MMD took over. She got an up to date mortgage factsheet, saying the rate was a little less than she'd feared. But in early December, the lender said it wouldn't offer her a mortgage, unless all the timber and damp works were done before completion.

Miss C said by this time the sellers were so upset about the delays, they wouldn't negotiate. Fortunately, she managed to get a different mortgage offer elsewhere, and her purchase went ahead. MMD offered her £350 in compensation, but she felt it should pay much more.

MMD said it did accept there was a delay of approximately six weeks in submitting Miss C's application to the lender. It said when it put in the application, unfortunately Miss C's lender had withdrawn from the market for a time, so her application couldn't proceed right away. MMD also thought there was a delay in sending Miss C a mortgage summary factsheet once the lender started to offer rates again, and it apologised for that.

But MMD said it wasn't its fault Miss C had needed to pay for a timber and damp survey, and nothing it had done had increased her legal costs.

Once her application was submitted, it then took just over eight weeks for the lender to reach its decision. MMD said that if her application had been submitted earlier, in late August, she would have been turned down for lending sooner as well. So that would have left Miss C trying to source a new lender in early October, just after the mini budget and during the worst of the market turmoil, when mortgage interest rates were at their peak.

MMD also noted that because Miss C's lender decided the property wasn't mortgageable in its current condition, she was able to withdraw from the purchase and get her deposit back, if she decided not to go ahead.

MMD said it was sorry that it had got some things wrong, and it wanted to pay Miss C £200. Miss C replied, saying the initial delay was more like ten weeks than six, claiming her other purchase costs had increased because of what MMD did, and saying MMD still hadn't explained why she wasn't given full details of her mortgage until late November. Importantly, Miss C also believed that if she'd been told earlier that the lender wouldn't lend without the works being completed, she felt the seller would have been more willing to negotiate, and would have done the required work. So she thought she could have secured the rate discussed in August after all, which was much lower than she ended up with.

MMD then increased its offer to £350, but its underlying position didn't change. Miss C didn't want to accept that, and brought her complaint to us.

Our investigator didn't think this complaint should be upheld. He said MMD had dealt with things fairly. He said MMD was only ever the broker in this case, and we couldn't hold it responsible for what the lender did.

Our investigator said unfortunately Miss C's credit file meant there were limited lending options for her. He noted that MMD accepts it caused a six-week delay in her application initially being submitted, but he said by the time that was resolved, unfortunately the proposed lender had withdrawn from the lending market. No other option was then available for Miss C, so our investigator said the delay from 28 September was outside MMD's control.

By 19 October 2022, the lender had come back into the market, and Miss C's mortgage application was made. The valuation expressed concerns about the property, so the lender requested a timber and damp report.

Miss C said she'd already had a survey done, which contained a considerable amount of information about timber and damp, so this report was submitted to the lender, to see if that would resolve its concerns. Our investigator said there were delays at this point with the survey being reviewed by the lender's valuer, but our investigator said that too was outside of MMD's control. On 15 November the lender said it would want the recommended repair work done before it would lend.

Our investigator said this caused some confusion, and MMD liaised with the lender to see if it would lend without this work being completed. At this stage, the lender said it did want to see a specialist timber and damp report. Miss C paid for the required report, and it was sent to the lender on 30 November. On 6 December, the lender confirmed it wouldn't lend unless work was completed before the mortgage offer was made.

Our investigator noted that Miss C could then have got her deposit back, but instead, she sourced an alternative mortgage elsewhere. The rate she secured was lower than that

proposed by the lender in November 2022, but higher than the rate she'd initially discussed with MMD in August.

Our investigator said the timber and damp report Miss C paid for was requested by the lender, so MMD wasn't responsible for that. He said there were problems with the service MMD provided, and the application should have been submitted to the lender earlier. Our investigator thought that did cause avoidable distress. But that delay was also affected by factors outside MMD's control, in particular the market turmoil caused by the mini budget.

Our investigator said MD had accepted there were also delays issuing the standard form explanation of the mortgage Miss C was applying for. Miss C only got this around the end of November 2022. But ultimately, this lender decided not to lend, and delays in making that decision were largely outside of MMD's control.

Our investigator said he couldn't base compensation in this case on the lender's initial rate, available in August, because the lender ultimately decided not to lend. Our investigator wasn't persuaded that the seller of the property Miss C was buying would have agreed to carry out the necessary repairs if the request had been made sooner. And he also said he couldn't see how MMD was responsible for the additional legal costs Miss C incurred, over the initial estimate her solicitors provided.

Our investigator thought MMD's offer of £350 for poor service was a fair and reasonable way to resolve this complaint.

Miss C didn't agree. She said if MMD had made the application when it should have done, at the start of August, a rate would have been secured then. She said the rates she was offered later were much higher, which caused her significant financial disadvantage. Miss C also said this lender released rates on October 7th, but she wasn't told about that. Although those were only for a lower loan to value than she was applying for, she may have been able to increase her deposit.

Miss C wanted her complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

I understand Miss C was very disappointed in the outcome of the mortgage application she made through MMD. However, this complaint is only against MMD. And I have to bear in mind, overall, that the lender MMD approached for Miss C, did decline to lend in this case.

I know Miss C thinks if the original application had been done sooner, without the initial six week delay MMD caused, then the seller might have been more willing to negotiate. She thinks the work might then have been undertaken by the seller before the sale. I've not seen anything to make me think that. I think a seller who has chosen to sell through an online auction method is probably at least partly motivated by the desire for a quicker sale, so I think it would be surprising if such a seller was then willing to undertake work before sale. So unfortunately, I think it's always likely that this lender would have declined to lend.

If MMD hadn't caused the initial delay, then what should have happened? Miss C's mortgage application should have been submitted in mid-August. I think it's then likely

that events would have unfolded in largely the same way – a valuation would have been booked, the valuer would have raised concerns, Miss C would have offered the survey she'd had completed earlier, this wouldn't have resolved the lender's concerns, and a timber and damp survey would then have been commissioned. And unfortunately, ultimately, the lender would have chosen not to proceed.

I don't think it's likely that the time from Miss C's mortgage application to her lender's eventual decision could have been achieved significantly faster than the seven weeks, roughly, which it did take, if MMD's service had been better. Like our investigator, I think the substantive delays during this time were when the lender took time to take key decisions. But all this could have happened a little over two months earlier, if the application hadn't been affected by MMD's initial delay, and by the fact that MMD's delay was only resolved at a point when the lender withdrew from the market for a time.

So, if Miss C's application had been submitted promptly, that would have meant that, instead of finding out her first choice of lender wouldn't lend in early December, she would have discovered this at the very end of September or start of October.

MMD has pointed out that this was the high point of mortgage market turmoil, with interest rates at a peak. And I think it's right about that.

So I think that in some respects Miss C could have had a less stressful experience if she'd been told that her first choice of lender wouldn't lend in late September or early October, as she may have had fewer concerns about her seller backing out altogether. But I do think she would then also have ended up paying more for her mortgage.

I know it's just luck that Miss C may well have ended up better off financially, because she was able to secure a lower interest rate with her second lender in December as a result of MMD's initial delay. But that is still a circumstance I have to take into account in resolving this complaint.

I should note I haven't been able to see that anything MMD did, caused additional legal costs in this case. And I think Miss C paid for a timber and damp report because the lender asked for that, not because of anything MMD did. I also think Miss C had told MMD how much money she had available for a deposit, so I don't think MMD had any reason to think Miss C should have been offered a mortgage with a lower LTV.

That means when I'm thinking about compensation here, I've just got to think about the experience Miss C had. I do think she's been very stressed and upset by what happened.

I note that MMD just hasn't got an explanation for the initial delay. That delay, for no apparent reason, meant Miss C then lost trust in MMD. So although I do think MMD was working to keep her mortgage application moving in October and November, Miss C was very concerned that it wasn't doing enough to secure her borrowing. So I think this initial mistake affected Miss C's entire experience with MMD. And, as I've noted above, it is simply luck that she didn't suffer financially from this.

I also note MMD didn't share key information with Miss C about the mortgage she was actually applying for, again with no apparent excuse. I think that must also have increased Miss C's fears.

For that reason, I think MMD should pay a little more than it initially offered in this case. I think MMD should make a total payment of £500 in this case. I think that would provide a fair and reasonable outcome to this complaint.

MMD has already offered Miss C £350. I can't see this has been paid, but I'll allow MMD to count that amount towards my award of £500, if it has already paid it to Miss C.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

MMD thanked me for the provisional decision, and said it was happy to pay the increased compensation amount, if Miss C agreed. Miss C also replied, to say she too was happy, and would accept. She said she hadn't yet received any of the offered compensation from MMD. If that is the case, then MMD will be required to make full payment once Miss C formally accepts the finalised decision below.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Home in One Financial Services Limited must pay Miss C a total of £500 in compensation in this case. Home in One Financial Services Limited can count towards that, any payment it has already made to Miss C for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 November 2023.

Esther Absalom-Gough
Ombudsman