

The complaint

Mr J complains that Coventry Building Society (CBS) overcharged him fees when he took out a new mortgage.

What happened

Mr J applied for a mortgage with CBS through a broker. CBS offered to lend £148,947 on repayment terms over 26 years.

Mr J also applied for a tracker interest rate product to be applied to his mortgage. This was an interest rate that would track 0.28% above Bank of England base rate until 30 June 2025. After that the mortgage would revert to the standard variable rate. The product code for this rate was TRC37.

In section 4 of the offer, CBS set out the additional costs Mr J would have to pay. The offer said:

Costs to be paid on a one-off basis:

Product fee for mortgage product TRC37 payable to Coventry Building Society, (refundable, paid on completion by deduction from advance, please refer to the 'Tariff of mortgage charges' leaflet for more information) £999.00

Funds transfer fee payable to Coventry Building Society (non-refundable, paid on completion by deduction from advance) £8.00

Mr J's mortgage completed in June 2023. CBS sent £147,940 to the solicitor – which is £148,947 less the £999 product fee and the £8 funds transfer fee. This left the solicitor with insufficient funds to redeem Mr J's previous mortgage, which Mr J had to supplement himself.

Mr J complained. He said that CBS had advanced the wrong amount to the solicitor. He said that the product fee was refundable, and therefore should have been refunded not deducted from the balance.

CBS said that it properly charged the fees. Mr J could have chosen to pay them himself, add them to the balance or have them deducted from the balance. He had chosen to have them deducted from the balance and that's what CBS did. It said that while the product fee was described as "refundable" that didn't mean it would always be refunded or not charged. It meant that if Mr J paid the fee but the mortgage then didn't go ahead the fee would be refunded.

Our investigator didn't recommend that the complaint be upheld, so Mr J asked for it to be reviewed by an ombudsman.

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.

Having done so, I agree that the complaint shouldn't be upheld. I'm satisfied that CBS has handled Mr J's mortgage appropriately and in line with the terms of the offer.

Mr J applied for his mortgage via a broker. The broker submitted an application form. Mr J has given us a copy of it, so he was clearly aware of its contents.

The application was for £148,947. It included not just an application for the amount Mr J wanted to borrow, but also an application for the interest rate he wanted – for which CBS charged a fee of £999. It also charges a fee of £8 for the costs involved in transferring the money.

The application form noted both the £8 and the £999 fees, and gave three options – “pay on application”, “pay on completion”, or “add to loan”. For both fees the “pay on completion” option was ticked.

The guidance notes in this section of the application form says that if the fees are payable on completion rather than on application, and are not added to the loan, then

“the fee is deducted from the loan amount that is advanced to your solicitor at completion. You will therefore need to make up the difference between the amount that has been deducted for the fee and the loan amount with your solicitor.”

This means that Mr J asked that CBS lend him £148,947. He didn't want the fees added to the balance (which would have meant an application for £149,954 - £148,947 + £8 + £999). He also didn't select to pay the fees upfront, he selected to pay on completion.

That means that – as the application form explained – the fees would be deducted from the amount paid to his solicitor. But it doesn't mean that the fees would be deducted from the amount he borrowed or had to repay.

Mr J borrowed £148,947, of which £147,940 would be paid to his solicitor, and £999 plus £8 would be paid to CBS to cover the fees it charged. Although only £147,490 was paid to his solicitor, Mr J's total mortgage debt is £148,947 – with the remaining £1,007 of the loan being used to pay CBS's fees.

The mortgage offer also made this clear, saying that the fees would be paid by “deduction from the advance”.

If that wasn't what Mr J wanted to happen, or wasn't what he understood would happen, that's a matter for him to take up with the broker that advised on and arranged the mortgage. CBS did what Mr J's application asked it to do, and did what it said in the offer it would do.

I don't think CBS agreed to refund the £999 fee, or that it can be expected to. The mortgage offer says the fee is “refundable” – but that doesn't mean the fee will always be refunded. There's no point in charging a fee that is always refunded immediately afterwards. The offer refers to the tariff of charges, which explains that product fees are only refunded if they are paid in advance but the mortgage then doesn't go ahead. Mr J didn't pay in advance, and his mortgage did go ahead. He's benefitted from the interest rate, so it wouldn't be fair to expect CBS to refund the fee it charged for that rate – and there's no contractual basis on which it could be expected to.

Mr J also points to his first mortgage statement as evidence that CBS got things wrong. But I don't think the statement does show that.

The statement shows that on 1 June CBS advanced £147,940 to Mr J, and charged fees of £999 and £8. As I've said above, that's what Mr J – or his broker – applied for and asked CBS to do. He applied to borrow £148,947 – inclusive of fees, rather than with fees added to that amount. CBS lent him £148,947, retaining £1,007 to cover its own fees and paying the balance of £147,940 to his solicitor. That's what he applied for, that's what happened and that's what the statement shows. The statement then shows interest of £585.16 being added for the first month following completion, giving a total balance of £149,532.18 – which is £147,940 plus £999 plus £8 plus £585.16. The statement is accurate, and doesn't show that Mr J has been charged the fees twice. It shows the total amount he borrowed, broken down into the amount paid to him plus the amount used for CBS's fee, and then adds interest on the borrowing.

Taking all that into account, I'm not persuaded that CBS has acted in breach of contract, or that it hasn't done what it said it would do. I'm satisfied it processed the completion of the mortgage Mr J applied for accurately and fairly. I don't therefore uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 April 2024.

Simon Pugh
Ombudsman