

The complaint

Mr A and Ms K complain that London and Country Mortgages Ltd made errors which meant their mortgage application lapsed. They ask for compensation for distress and having to take out a mortgage with a higher interest rate.

What happened

Mr A and Ms K took mortgage advice from L&C in mid-2022. Their mortgage product was due to expire in late 2022. L&C recommended a mortgage and submitted an application on behalf of Mr A and Ms K.

Mr A and Ms K say L&C failed to respond to the lender and the mortgage application lapsed as a result. They took out a new product with their existing lender. Interest rates had increased. Mr A says they will pay about £14,500 more interest over the next two years than if they'd taken out the recommended mortgage.

In addition, Mr A says L&C told them there wasn't time to arrange for their lender to revalue the property before taking out a new product. They've since found out that they could have got a better interest rate in a different loan to value range.

Our investigator said L&C had made errors which caused the mortgage application to lapse. He said he couldn't fairly require L&C to pay compensation for Mr A and Ms K taking out a higher interest rate as he couldn't be sure the lender would have offered a mortgage to them. He said L&C should pay £500 for their disappointment.

Our investigator said Mr A and Ms K weren't worse off for not having their property revalued by their existing lender. He said the costs of the valuation and being on the lenders standard variable rate would have been greater than the savings on the lower interest rate.

L&C agreed. Mr A didn't agree. He was confident they would have been offered a mortgage by the first lender. He says they weren't at fault and shouldn't have to bear the financial consequences of L&C's error. Mr A pointed out that the compensation is less than the commission earned by L&C.

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.

L&C recommended a mortgage and submitted a mortgage application on behalf of Mr A and Ms K in late July 2022. It asked them to upload documents requested by the lender. L&C says there were delays in Mr A and Ms K providing documents or they weren't in a form acceptable to the lender, or they tried to send documents by email instead of uploading

them. L&C says by the time all the documents were uploaded other documents (such as bank statements) were out of date and it had to ask Mr A for more recent versions.

The lender sent a message to L&C giving a deadline of 28 September 2022 to provide the documents. L&C received the required documents from Mr A and Ms K by the end of 26 September 2022. It didn't submit them until mid-October 2022.

L&C's error (not forwarding the documents immediately) resulted in the application lapsing. But that's not the same as finding that the lender would have offered a mortgage to Mr A and Ms K but for this error. The application hadn't been assessed by the lender's underwriters. This is more than a formality. As well as rules on mortgage regulation which require lenders to assess affordability, lenders are entitled to apply their own lending criteria when deciding whether to lend. While I understand Mr A's frustration about this, I don't think I can fairly find that the lender would certainly have offered a mortgage to Mr A and Ms K.

I can't fairly require L&C to pay compensation to Mr A and Ms K for losing the lower interest rate they'd applied for. But I can require L&C to pay compensation for Mr A and Ms K's disappointment, and the loss of the opportunity to continue with the application and the inconvenience and upset this caused.

L&C says the lender requires all documents to be submitted together. By the time L&C had received all the documents from Mr A and Ms K in a suitable format it had a very short time to submit them. L&C says if Mr A and Ms K had provided documents sooner it would have had more time to submit the documents and it's less likely the application would have lapsed. On the other hand, Mr A and Ms K might have provided documents more quickly if they'd been told about the 28 September 2022 deadline. And having received the documents by 26 September 2022 L&C didn't submit them to the lender until October 2022. There was confusion in October 2022 as to whether the application could continue. And Mr A says they had difficulty contacting L&C staff.

Taking all of this into account, I think it's fair and reasonable to require L&C to pay £500 compensation to Mr A and Ms K.

L&C then recommended that Mr A and Ms K apply for a new product with their existing lender.

Mr A and Ms K's property was valued at about £900,000 in mid-2022 as part of the lapsed mortgage application. This was a significant increase since Mr A and Ms K had taken out the mortgage, which they say was due to work they'd completed on the property. Their lender used a value of about £710,000, based on the original valuation.

Mr A says L&C told them there wasn't time for the property to be re-valued by their existing lender. There's no available evidence to support what Mr A says. However, L&C was aware of the higher valuation carried out in August 2022 for the first lender. It ought fairly to have discussed with Mr A and Ms K the possibility that they could get a better rate if they asked for a revaluation. Mr A says they could have taken out a product with an interest rate 0.07% lower. They would have saved interest of about £500 over two years.

However, it seems likely a re-valuation would have needed to be an in-person valuation rather than a drive by or book valuation, given the increase in value was due to improvements to the property. It's likely Mr A and Ms K would have had to pay for this and wait while a surveyor was booked to carry out the valuation. They'd have been on the lender's standard variable rate while this was carried out – which could have cost them £500 to £600 depending on the time taken. They'd have then needed to re-apply for a product in the lower loan to value range. This happened during a period of uncertainty and interest rate

rises, and Mr A and Ms K would have taken the risk that product rates would increase during that time.

Overall, I'm not persuaded Mr A and Ms K are worse off for taking out a new product without asking for the property to be re-valued. And, given the costs and risks involved relative to the potential benefit, I think it's unlikely Mr A and Ms K would have chosen to ask for a revaluation if L&C had discussed this with them. It follows that I don't think it's fair and reasonable to require L&C to pay compensation for this part of Mr A and Ms K's complaint.

My final decision

My decision is that I uphold this complaint. I order London and Country Mortgages Ltd to pay £500 to Mr A and Ms K.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Ms K to accept or reject my decision before 14 March 2024.

Ruth Stevenson
Ombudsman