

The complaint

Mr F brings this complaint in his capacity as director of a limited company I will refer to as B. Mr F says that Redwood Bank Limited led his mortgage adviser to believe that it would lend against the security of properties that were subject to a specific type of lease. However, Redwood later withdrew the offer. B would like Redwood to reimburse all fees incurred, including survey, application and legal fees, totalling just over £13,000.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr F or B being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

B applied for a loan facility to purchase a number of rental properties. The properties were to be leased by B to a third party company, M, which would provide a guaranteed rental income to B. The valuation commissioned by Redwood highlighted potential issues with this, and after the bank's solicitors considered those issues, ultimately Redwood declined to go ahead with the application and withdrew its offer of a lending facility.

Mr F, on behalf of B, complained. Redwood didn't uphold the complaint but agreed to reimburse the cost of the facility letter (£637.50) and the valuer's fee of £2,274, a total of £2,911.50.

Dissatisfied with Redwood's offer, Mr F referred the complaint to our service. An Investigator looked at what had happened and in a detailed letter dated 14 December 2023 explained why she didn't think Redwood needed to pay any further compensation. Mr F didn't accept this but said he would agree to settle the complaint if Redwood paid the company's legal fees, an additional £4,194.

Redwood declined to do so, and Mr F asked for the complaint to be referred to an Ombudsman. In doing so, he raised a number of questions that he would like answered, relating to Redwood's lending policies on this specific application, and on other similar applications from other borrowers where the properties are leased to M.

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.

I will explain first that the Financial Ombudsman Service is independent of both consumers and the businesses they are complaining about. We are not a regulator, and we don't "police" financial businesses or have any power to fine them or impose sanctions upon them.

Our independent role means that we don't act for consumers, nor do we take instructions either from consumers or businesses, or allow either party to direct the course of our investigations; were we to do so, it would compromise our independence and impartiality. It's up to us to determine what evidence we need in order to investigate a complaint. So although I've noted the questions which Mr F would like answered, it's not my role to put those questions to Redwood or act as a representative or go-between on this case.

Redwood is entitled to set its own lending criteria. Decisions that Redwood makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for Redwood's own commercial judgement that I would not interfere with.

I'm satisfied that Redwood gave no guarantee to B that it would lend. At the start of the application process, I can see that it was made clear that any lending was subject to the lease and/or property providing suitable security.

Redwood is entitled to rely on the expert opinions of its surveyor and legal advisers when deciding whether or not to grant a lending facility to a company. In four separate final response letters Redwood provided Mr F with its explanation and reasoning as to why the application was declined, and I'm satisfied it isn't required to do anything more than this.

Whilst I appreciate Mr F is unhappy Redwood decided not to go ahead with the application, the evidence persuades me that Redwood reached its lending decision fairly, after taking into account all relevant factors, including (but not limited to) the security offered for the lending, exposure to risk, and the specific circumstances of the application. Given this, I'm satisfied that Redwood gave fair consideration to this application and so legitimately exercised its commercial judgement when deciding to withdraw the facility.

This means that there is no basis upon which I can find that Redwood has treated B unfairly or unreasonably.

Redwood offered to reimburse fees totalling £2,911.50, and as it was under no obligation to do so, I think this is fair in all the circumstances. I simply leave it to Mr F to decide whether or not he wants to accept this on behalf of B, in settlement of the complaint.

My final decision

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

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F on behalf of B to accept or reject my decision before 6 May 2024.

Jan O'Leary
Ombudsman