

The complaint

Mrs and Mr H are unhappy that Friends Advisers Ltd (FAL) applied for a mortgage with a longer term than they had requested.

What happened

Mrs and Mr H first contacted FAL (a mortgage broker) about mortgage advice in 2020. Due to a change in their circumstances, Mrs and Mr H didn't proceed to use FAL's services at that time.

Around August 2022, Mrs and Mr H asked FAL to assist them with arranging a Help to Buy mortgage. It looks like a number of different mortgage terms were discussed and explored. An application was going to be submitted for a 37 year mortgage but on 20 October 2022, Mrs and Mr H asked FAL's representative whether it was too late to change the term to 30 years, instead of 37. FAL's representative indicated it was not too late and that the application would be submitted for a 30 year mortgage.

In November 2022, Mrs and Mr H received the mortgage offer and noticed it was over a 37 year term. They queried this with FAL's representative, who told them it had been necessary for the term to be 37 years. The representative explained to Mrs and Mr H that they could make overpayments if they wanted to.

Mrs and Mr H took what FAL's representative said to mean that the mortgage lender had insisted the term needed to be 37 years. After the mortgage completed, they contacted the lender directly to ask whether an application over a 30 year term had ever been submitted by FAL. The lender told them it had only received an application for a mortgage with a 37 year term.

Mrs and Mr H complained to FAL that its representative hadn't done what that they had asked and had lied. They thought the situation meant they would end up paying substantially more interest than would have been the case with a 30 year mortgage. FAL didn't uphold the complaint. It felt it had treated Mrs and Mr H fairly. Mrs and Mr H had already contacted the Financial Ombudsman Service about their concerns and when they remained unhappy following FAL's response, an investigator here looked into the matter.

The investigator issued an assessment partially upholding the complaint. In summary, they said that Mrs and Mr H's request for a 30 year mortgage should've been actioned and that FAL should pay them £200 in compensation to reflect the poor service.

They said though that there was no guarantee an application over 30 years would have been accepted and that FAL had provided information on how to adjust the monthly payments to not end up paying more interest.

FAL initially sought to challenge the outcome and provided some further information for the investigator to consider. After the investigator explained to FAL that they still thought the complaint should be upheld, FAL said it would accept the findings.

However, Mrs and Mr H didn't think the £200 compensation was enough. They said that FAL had committed fraud and that throughout it had been suggesting they take a mortgage over the longest possible repayment period.

Because the matter remained unresolved, the complaint was passed to me to make a final decision.

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've reached the same overall conclusion as the investigator. Before I go on to explain why, I wish to set out my role as an Ombudsman. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint.

For that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having read all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint, when doing that.

It's clear to me that FAL's communication with Mrs and Mr H over the term of the mortgage, was lacking. Mrs and Mr H's understanding following the exchange of messages in October 2022, was that FAL had agreed to submit the mortgage application over a 30 year term. This did not happen, with the term applied for remaining as 37 years. I can't see that FAL said anything to Mrs and Mr H about this, before they received the mortgage offer showing a term of 37 years. This clearly caused Mrs and Mr H some unnecessary worry and confusion.

Mrs and Mr H have said that FAL's representative lied to them, because they had told them that the lender would not agree the borrowing over the 30 year term. FAL says that Mrs and Mr H have misunderstood what its representative meant in the relevant exchange of messages. It says that the term of the mortgage needed to stay as 37 years to match the Help to Buy paperwork. It says it took the decision to keep the term the same so as not to jeopardise the house purchase from going through, given that it was the last plot on the development and bearing in mind the uncertainty surrounding interest rate changes at that time.

Having reviewed the exchange of messages, I can understand why Mrs and Mr H took this to mean that the lender wouldn't accept a 30 year term. It is the natural conclusion to draw from what FAL's representative said. At the same time, I find that what FAL has said about the need for the term of the loan to match the Help to Buy paperwork to be plausible. I say this because the 'Memorandum of Sale' does include a statement about the need for the terms of the mortgage to match the details in the affordability calculator.

However, there isn't enough evidence on file for me to be sure that what FAL has said about the need for the term to remain as 37 years, is correct. That doesn't mean I think it's wrong, just that there isn't enough evidence on file to show this is definitely the case.

However, it isn't necessary for me to look any further into this, because it won't materially affect the outcome. Because what is clear is that even if there was a good reason for FAL to submit the application for 37 years and not 30, its communication was lacking.

And on the other hand, if the reason given by FAL for keeping the term of the application at 37 years isn't correct, it is not certain that an application over a 30 year term would've been accepted by the lender. I also can't see that this has resulted in Mrs and Mr H suffering a financial loss. I know Mrs and Mr H have said they will pay substantially more interest. However, I don't think that needs to be the case.

Aside from the fact there is no guarantee that a 30 year application would've been accepted, when Mrs and Mr H saw that the mortgage offer was for a term of 37 years, FAL's representative explained to them that they could make overpayments. Had Mrs and Mr H done this - for example so that the monthly payments were the equivalent of what they would've been had the mortgage been applied for and accepted over 30 years - this would have the effect of reducing any additional interest payable due to the longer mortgage term. And although Mrs and Mr H have said the lender told them that making overpayments won't result in the mortgage term reducing, this seems unlikely to be correct.

It's not clear that Mrs and Mr H have made overpayments, but bearing all of the factors in mind, I can't reasonably conclude that FAL has caused them a financial loss. I believe Mrs and Mr H could still take these steps and mitigate any potential loss of the term being longer if they wished to. Or they could contact the lender to explore reducing the term.

Mrs and Mr H have also said the fact they received a 37 year mortgage instead of 30 may affect their ability to obtain the funds needed to purchase the remaining part of the house. However, they've not said why this would be the case and I cannot see why it would be so. If anything, the lower contractual payments they've ended up with, mean they will more likely be able to afford further borrowing in the future.

Finally, it's clear to me from reviewing the exchanges between Mrs and Mr H and FLA's representative, that Mrs and Mr H were otherwise pleased with the help and advice they received from FAL.

In summary, I think FAL should've made clear exactly what it was doing and the reasons for doing this. But I think it was likely, on balance, acting in Mrs and Mr H's best interests. Had it clearly explained what it was doing, Mrs and Mr H would likely have proceeded with the mortgage on the basis of which it has been set up. And, I've already explained why I think Mrs and Mr H can take steps, as suggested by FAL, to mitigate potential loss.

Taking everything into account, I find that £200 compensation is reasonable to reflect the poor communication by FAL in relation to the mortgage term applied for and the surprise and unnecessary worry experienced by Mrs and Mr H when they received the mortgage offer for a longer term than they had expected.

My final decision

My final decision is that I uphold Mrs and Mr H's complaint about Friends Advisers Ltd. I direct it to pay Mrs and Mr H £200 in compensation for the impact of its poor communication about the term of the mortgage.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 12 March 2024.

Ben Brewer
Ombudsman