DRN-4544699

The complaint

Ms E complains that Bigmore Associates Limited advised her to take a two year fixed interest rate on her mortgage when they should have advised her to take a five year fixed rate. Ms E also feels Bigmore misled her about the fact she'd be able to get a lower rate before her initial fixed rate ended, as she's actually had to take a higher rate which has significantly increased her monthly payments.

What happened

During 2020 and 2021 Bigmore had discussions with Ms E about her mortgage requirements for a new property she wanted to purchase. In June 2021 Bigmore advised Ms E to take a two year fixed rate of 2.53% on a mortgage which completed in September 2021.

In June 2023 Ms E complained to Bigmore about the fact she was now having to pay a much higher rate on her mortgage than she would have done if she was advised to take a five year rate in 2021. Bigmore said that at the time they gave their advice, the only option available for the loan to value and purchase price for the property Ms E wanted to buy was a lender that only offered a two year fixed rate. They said there weren't any five year rates available that would have met Ms E's mortgage requirements.

Ms E referred her complaint to our service and one of our investigators looked into things. Having considered the information and evidence provided by both parties, he didn't think Bigmore had acted unfairly.

Ms E asked for the complaint to be referred to an ombudsman, so the complaint's been passed to me to issue a 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.

Ms E is unhappy that on expiry of her initial interest rate product, she's had to take a new product that is much higher than the one she was on previously. She feels that Bigmore should have advised her to take a longer rate at the time she took out her mortgage, and she also feels they gave her assurances that she would be able to secure a lower rate when her initial one expired – which hasn't been the case.

I've looked at the contact Ms E had with Bigmore about her mortgage requirements before she agreed to take out her mortgage. Initially, both two year and five year fixed rates were discussed and compared. It took Ms E some time to find a property she wanted and was able to buy, and when she did, I'm satisfied Bigmore made it clear to Ms E that there was only one lender that would be able to lend her what she needed, and they only offered two year fixed rates.

Bigmore sent Ms E their suitability report in June 2021 which said that Ms E's preference was for a short-medium fixed rate mortgage deal as she didn't want to be tied into a long term deal and would like to have the flexibility to pay off some of the mortgage in a few years' time if she had the funds to do so. It said her plan was to make overpayments towards the mortgage through annual bonuses and excess income. It also noted that there was only a two year fixed rate deal available for the level of borrowing Ms E wanted. The report also said that the monthly payments would still be affordable for Ms E at the end of the fixed rate period on the lender's standard variable rate (SVR), but Bigmore would seek to secure a new product upon expiry of the current one to avoid Ms E having to pay an increased rate.

Ms E has said she is unfamiliar with the United Kingdom mortgage market and was used to being able to fix in for much longer periods of time. And I can appreciate why, in hindsight, she feels she would have been better off fixing in for longer now that rates have gone up since she took out this mortgage. But in order to get the property Ms E wanted, there was only a two year fixed rate available, and I'm not satisfied Bigmore gave unsuitable advice when they advised Ms E to take that product out. The product was in line with Ms E's needs and circumstances at the time of the advice. She wanted a mortgage product that would allow her to purchase the property she wanted in a way that she could comfortably afford. The two year fixed rate allowed her to do that. And I'm also satisfied Bigmore gave Ms E sufficiently clear information for her to be able to understand that the interest rate product would come to an end in 2023 - when she would either need to take out a new one, or revert to the lender's SVR.

Ms E also complains that Bigmore misled her about the fact they'd be able to secure a lower rate on expiry of the initial one. I agree the information Bigmore gave Ms E did suggest that they'd be able to secure another rate for Ms E to avoid her having to pay the higher SVR on reversion in 2023. The suitability report alluded to such, as did the email Bigmore sent in May 2021 when Ms E specifically asked about what would happen after the two year fixed period. Bigmore said "the low rate is fixed for the first two years, but we'll review your options 4-6 months before the end of the 2 year period and secure you a new low interest rate moving forwards. So ignore the high interest rate stated on the quote, as we will ensure you never fall on this and secure you a low rate every few years."

I do think that email gave Ms E the impression that she would not have to worry about her rate increasing at the end of the product. I appreciate that at the time, Bigmore were referring to the fact that they would be able to secure another new rate for Ms E and so she wouldn't need to revert to the SVR, and that new rate would likely be lower than the SVR, but there was no guarantee they would be able to secure a 'low' interest rate, as they would not have known what products would be available in two years' time. So I do agree with Ms E that this email was misleading. Especially as her rate has now increased – which is what Bigmore suggested they would be able to avoid.

However, I also have to consider whether, had Bigmore not given misleading information to Ms E, she would have acted differently. I don't think she would have. Throughout the emails exchanged between Ms E and Bigmore across 2020 and 2021 that I've seen, it's clear that Ms E wanted to purchase a certain type of property within a certain price range. Given her needs and circumstances at the time (including the proposed loan to value, Ms E's income, and age), her options were unfortunately limited in terms of what lenders would offer. In order to achieve her objectives, Ms E only had one option and that was to go with the two year fixed rate that Bigmore recommended. Bigmore (and the lender) had checked the mortgage would still be affordable should interest rates increase (which they now have done), and they confirmed it would be. Whilst Bigmore may have given the impression that Ms E would not have to worry about the rate increasing in the future, I'm satisfied Ms E would have been aware that interest rates could increase generally – and that's a risk you take when you commit to long term borrowing. The suitability report did also explain that future rates can go up or down. So it was never guaranteed that Ms E would be able to continue to take out new products that were as low as the one she initially took in 2021.

Overall, whilst I’m persuaded some of Bigmore’s communication could have been clearer, I’m satisfied they recommended a suitable mortgage product to Ms E at the time they gave their advice. I’m not persuaded that had Bigmore given clearer information about what could happen in the future, Ms E would have acted any differently. It’s unfortunate that Ms E has now had to take a new rate that’s higher than she was paying before, but I’m not satisfied that’s a result of unfair treatment from Bigmore.

My final decision

Considering everything, for the reasons I’ve explained, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms E to accept or reject my decision before 25 July 2024.

Kathryn Billings
Ombudsman