

The complaint

Mr and Mrs D complain that Coventry Building Society misled them about whether it would port their buy to let mortgage to a property being sold at auction. They ask for £7,500 compensation and to be able to port the mortgage outside Coventry's usual criteria, with Coventry paying all fees and costs.

What happened

Mr and Mrs D had a buy to let mortgage with Coventry. In September 2021 they contacted Coventry as they intended to sell the property and port the mortgage to a new buy to let property. They wanted to keep the interest rate, which was 0.75% above the Bank of England base rate.

Mr and Mrs D were considering buying a property that was up for auction. They asked Coventry if it offered mortgages for properties which had been recently acquired by the vendor. Based on its confirmation, they agreed to buy the property.

Mr and Mrs D were then told that Coventry doesn't lend when the vendor has owned the property for less than six months. Coventry accepted it had given Mr and Mrs D incorrect information and offered £1,000 compensation for the upset and inconvenience this caused.

Our investigator said while Coventry gave Mr and Mrs D incorrect information, it had corrected this within seven days. She said Coventry wouldn't have offered a mortgage on the auction property regardless of the error, as it didn't meet other criteria. The investigator didn't think Mr and Mrs D would have acted differently if they'd been given correct information at the end of September 2021.

Mr and Mrs D disagreed. In summary, they said they'd have looked for a different property if they'd known they couldn't port the interest rate product to the auction property. They said they committed to buy the auction property on the basis of the incorrect information and this had repercussions for them.

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.

Following our investigator's view, Mr and Mrs D told us they were chasing Coventry for further information which they thought might be relevant to their complaint. I can reach a fair decision based on the information and evidence available to me. I should explain that 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.

Mr and Mrs D intended to sell their buy to let property to their tenants. They wanted to buy a new buy to let property in a different area. They wanted to port their buy to let mortgage with Coventry as they wanted to keep the interest rate.

Mr and Mrs D found a property in an auction sale. They called Coventry on 28 September 2021 to check a couple of potential issues raised by their solicitor, one being that ownership of the property had recently changed. Coventry said this wasn't an issue.

Mr and Mrs D agreed a pre-auction purchase and exchanged contracts for the auction property on 30 September 2021. They paid a deposit of about £20,000 and agreed a latest completion date of 8 December 2021. They told their solicitor Coventry had given guidance of 6 to 8 weeks for approval of a porting application which they'd start straight away.

On 5 October 2021 Mr and Mrs D found out that Coventry doesn't lend if ownership of the security property has changed in the previous six months – which was the case here. Coventry asked its underwriters to re-consider, given it had made an error. On 8 October 2021 it said it was unable to proceed. There were other criteria that the property didn't meet.

Coventry made an error when it gave Mr and Mrs D incorrect information on 28 September 2021. Mr and Mrs D say this had consequences for their finances, wellbeing and health. Mr and Mrs D cashed in ISA investments to fund the purchase. They said they were going to use the ISA investments to repay their residential interest only mortgage in May 2023. They also sold a car and bought a cheaper car. Mr D cancelled a schedule operation. They withdrew from the sale of the buy to let property. Mr and Mrs D say the £1,000 offered by Coventry isn't enough.

After carefully considering everything Mr and Mrs D have said, I don't think it's fair and reasonable to require Coventry to pay further compensation or take further steps. This is for the following reasons.

- Coventry gave Mr and Mrs D correct information within a short period (about seven days).
- Mr and Mrs D say they agreed a pre-auction purchase of the property, at a higher price than they believe it would have fetched at auction. Coventry wasn't responsible for their decision to buy the property for more than they thought it would fetch at auction.
- Mr and Mrs D say because their over-riding priority was to keep the mortgage rate, when they were told they couldn't port it to the auction property they had to withdraw from the sale of their buy to let property to their tenants. This sale could have fallen through for other reasons. It seems Mr and Mrs D have now sold the property, but not to the tenants.
- Any mortgage application is subject to Coventry's lending criteria. There might have been reasons (other than the vendor owning the property for six months) why Coventry wouldn't have offered a mortgage, which would only have emerged during the application process. I think Mr and Mrs D knew this. They said they'd carried out research such as checking that similar properties had mortgages to do what they could to check the property was mortgageable.
- Even if Coventry didn't have (or had waived) criteria regarding how long the vendor had owned the property it would still have declined the application. Coventry doesn't lend when the vendor of the security property is a company that purchases re-possessed property – as was the case here.
- Mr and Mrs D chose to exchange contracts to buy the auction property without a porting offer in place. When they did so, they risked having to withdraw or fund the purchase in another way.
- Although this wasn't their preference, Mr and Mrs D could have applied elsewhere for a

buy to let mortgage for the auction property. They had about nine weeks to arrange this. They wouldn't have needed to cash in investments or sell the car. They could have continued with the sale of the buy to let mortgage.

- Mr and Mrs D told Coventry they'd viewed over 20 properties in the chosen area over about five months. They said this area was some distance from their home and required a long drive and overnight stay with travel and accommodation costs. They said part of the reason for going ahead with the auction property was the effort put into finding a suitable property. This suggests the auction property was the most suitable they'd found.
- Mr and Mrs D have also said they had no need to buy the auction property, that there were other similar properties available to buy and they were in no rush.
- When Mr and Mrs D sold the buy to let property (in April 2023), they were aware of the porting window and that they can't port the mortgage to a property they already own.
- Mr and Mrs D told Coventry about a family bereavement and the continuing effect this has on them. I'm very sorry for this. And I appreciate what they say about how this can make dealing with matters more difficult.
- Letting property is a business, and managing that business involves decisions about the property and how the business is financed.
- Mr and Mrs D say they'd have acted differently if they'd been given correct information on 28 September 2021. I can't be sure of this. It could be that they'd have decided to buy the auction property anyway, given what they said about the challenges of finding a suitable property. And they did have alternative funds available for the purchase.
- If Mr and Mrs D's over-riding priority was to port their buy to let mortgage rate, they could have looked for a property where they could secure a porting offer before exchanging contracts.
- When they were told porting wasn't possible, Mr and Mrs D had to decide whether to withdraw from the purchase (and lose their deposit) or fund the purchase in a different way. I appreciate this was worrying and it took some time to re-arrange their financial affairs. But Mr and Mrs D chose to take this risk when they exchanged contracts to buy a property without a porting offer in place.
- Even if I accept what Mr and Mrs D say (that they'd have acted differently if Coventry had given correct information on 28 September 2021), I don't think this makes Coventry responsible for the decisions they made. Ultimately, it was Mr and Mrs D's decision to exchange contracts to buy the auction property without a porting offer in place. And it was also their decision as to how they then chose to finance the purchase

Taking everything into account, I think £1,000 is fair and reasonable compensation for the error made by Coventry. I don't think it's fair and reasonable in the circumstances to require Coventry to pay additional compensation or take any further steps regarding this complaint.

Mr and Mrs D said they returned the cheque that Coventry sent to them. If the cheque wasn't cashed and the compensation wasn't paid in another way, Coventry should arrange to make the payment (if Mr and Mrs D accept my decision).

My final decision

My decision is that Coventry Building Society should pay £1,000 to Mr and Mrs D as it

offered to do (unless of course it has already made this payment).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 7 February 2024.

Ruth Stevenson
Ombudsman