

The complaint

Mr C complains that Legal & General Home Finance Limited (L&G) delayed his application for a lifetime mortgage.

What happened

In July 2020, Mr C applied for a lifetime mortgage with L&G. That application was cancelled in September 2020. Another application was made in May 2021. But it did not complete until 28 August 2022.

Ms C, who is bringing the complaint on behalf of Mr C, said Mr C wanted to use the lifetime mortgage to repay an existing mortgage and to buy some land. She said that L&G is responsible for the delay in the lifetime mortgage going ahead – including the property being significantly down-valued. She said as a result of the delays, Mr C had to pay higher interest rates to his existing lender, he had to pay to rent land, the cost of the land went up and the interest rate he was charged by L&G went up. Ms C said the matter had caused Mr C, who is vulnerable, a significant amount of distress.

Mr C then applied for a drawdown from the lifetime mortgage – but again there were delays. As a result the interest rate went up and the price of land had also increased - so Mr C had to buy a smaller plot of land than he originally wanted.

I issued a provisional decision. I said that L&G's offer of £625 in total for any distress and inconvenience caused to Mr C was fair and reasonable in all the circumstances. My provisional findings, which form part of this decision, were:

Application

The first application took a lot longer than I would usually expect to see for a lifetime mortgage application. The delays meant L&G mortgage offers lapsed and the new offers were at a higher interest rate. I consider there were a number of reasons for the delays, including:

- There was an initial delay of just over a year between the first application being made in July 2020 and the survey being carried out in August 2021. The initial application was cancelled in September 2020 by the broker. And it appears there were various issues booking a survey. The evidence I have does not support that L&G was responsible for those delays.*
- In 2021, there was a delay by L&G in producing the first offer.*
- It was not a straightforward case. The property was leasehold property, the lease was being extended and there were third parties involved in that.*
- Mr C's solicitors did not always provide the information that L&G's solicitors needed in a timely way – or the information was incomplete. That is not to say they are at fault and I accept they may have been reliant on third parties.*
- The April 2022 valuation was informally challenged, delaying things by around a month. I don't consider L&G is responsible for that delay. It was Mr C's decision to informally challenge the valuation.*
- L&G said that in February 2022 its solicitors didn't deal with information received from Mr*

C's solicitors in the correct timescales. I've looked at the information we have and I can't see that there were any other delays by the solicitors.

Looking at the evidence we have, I don't consider that most of the time the first application took was as a result of any mistakes or delays by L&G or its solicitors. L&G has estimated the delays it or its solicitors are responsible for delayed the application by around ten days over its usual timescales. Based on the evidence I have that seems reasonable.

It follows, however, that L&G's delays were not the reason that Mr C missed out on a lower interest rate. The last offer was issued on 1 August 2022 – and the mortgage completed on 28 August 2022. So even if the mortgage completed ten days earlier, it would still have been on the same interest rate.

I also note it would be difficult for me to conclude that delays in August 2021 and February 2022, were the reason that the mortgage was delayed by the extent it was or was the reason why Mr C did not complete on an earlier interest rate. It seems to me that there were a number of intervening delays and issues that would have affected the completion date in any event.

Valuations

It was reasonable for L&G to instruct a new valuation. The first one was completed in August 2021. It is in line with normal industry practice to have valuations to expire after six months – but L&G used its discretion to extend the first valuation. I will deal with that later. The valuations were carried out by independent surveyors who were suitably qualified. So it was reasonable for L&G to rely on the surveyors' opinions. It was unfortunate that the property was down valued on the second valuation. But it was reasonable for L&G to rely on the surveyors' professional and independent opinion.

L&G's policy is to allow valuations to be challenged. Ms C considers that is one of the things L&G wasted time doing. Ms C questioned why L&G had a process to challenge the valuation if it was not prepared to send out a second valuer. All it did was waste time – and it ought to have put the interest rate on hold while that process was completed. She said that L&G did not provide any explanation why another valuation could not be carried out or why it would not challenge what the surveyor said.

L&G has said that Mr C did not formally go through the process to challenge the valuation – and this appears to be correct. To do that a form would need to be completed and evidence provided of three properties sold in the last six months that support the estimated valuation. Rather a number of questions were passed to the surveyor with their answers passed back to Mr C's broker. L&G has said that it did not have any grounds or significant evidence to consider either valuation was incorrect.

As I've said, the surveyors were both suitably qualified and it was reasonable for L&G to rely on what they said. It was reasonable for any formal challenge to be passed to the surveyor that carried out the valuation. I don't consider there was any requirement for L&G to instruct another surveyor. That would increase costs without the outcome necessarily changing. There was also the risk of more complications and delays.

It was for Mr C to decide whether to accept the down valuation or not. But the fact he chose to ask the surveyor questions would not require L&G to put the interest rate on hold or to extend the offers further than it did.

L&G has told us that it extended the first offer until 23 March 2022 when it was meant to expire on 23 February 2022. And that it extended the second offer from 20 to 26 July 2022. Bearing in mind that I can't see it made any errors, it was really for L&G to decide whether to extend the offers further or not. But it acted reasonably and in the interests of Mr C by considering whether to extend the offers and agreeing to the extensions it did. I can't see any reason why it would be required to extend the offers further.

I am satisfied that the mortgage offers set out in a clear, fair and not misleading way how long they – and the applicable interest rate – were valid for. I can't see any reason why L&G could be required to extend the offer, even if the delays were outside Mr C's control. The interest rates reflect, in part, the cost to L&G of funding the mortgage. It's unfortunate that interest rates went up during the period in question. In the circumstances, I don't think that Mr C's vulnerability would be a reason why L&G could be required to extend the offers further than it did.

Conveyancing

Ms C considers there was a delay in L&G's solicitors doing a Land Registry search. She said that L&G's solicitors left it until a mortgage offer was due to expire before doing a Land Registry search they ought to have done it sooner. And when they realised it was necessary did not do it as soon as possible. L&G should have exercised its discretion and extended the offer at that point.

L&G said that there were no delays in carrying out the Land Registry search. It said this was always conducted closer to completion and that there were some delays by Mr C's solicitor during the process. I consider what L&G has said is reasonable. I can't see any undue delays by its solicitor.

I am satisfied that the information L&G and its solicitors was requesting was legitimate. I don't consider it would be fair for me to say that L&G should forgo its usual requirements so that Mr C could avoid an increase in interest rate.

Vulnerability

L&G said it wasn't aware of Mr C's vulnerability until Ms C complained in August 2022. I can't see anything about the application that ought to have put L&G on notice that Mr C was vulnerable – and I can't see any evidence that L&G was told about Mr C's vulnerability before August 2022. It said that when it was aware it recorded that on its system – but as Ms C wanted to remain the contact there was nothing further it needed to do to adjust its communication. I don't consider that was unfair.

Drawdown

L&G accepted that there were delays in processing the drawdown. It said that its process took from 30 September until 28 October 2022 and there were delays in referring the application to its senior management and then in authorising the application. I wouldn't expect L&G to do those things immediately – it was always likely to have taken some time. But it has taken longer than it should have.

In my experience around a month is not unreasonable to process such an application. But L&G has accepted it made some delays – and it took a further two weeks or so for Mr C to accept the offer. In the circumstances I consider £125 is fair compensation for the stress and inconvenience caused to Mr C by any delays.

Conclusion

Ms C said that Mr C was under pressure to repay his existing mortgage – and I know that the time taken meant he had to ask for several redemption statements from his existing lender. I also accept that both she and Mr C experienced a great deal of stress, upset and inconvenience because of what happened. I'd note that only Mr C is eligible to bring a complaint to us. So while I do not doubt the impact this matter had on Ms C, I do not have any power to award any compensation to her.

And I've found that L&G is largely not responsible for the time taken to arrange the mortgage. So I don't consider it was responsible for the impact on Mr C or the losses he is claiming. L&G has made an offer of £500 to reflect any inconvenience and stress caused by the delays it was responsible for. In the circumstances, I consider that is a fair way to settle the complaint.

Ms C responded to say that L&G had not paid the compensation to Mr 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.

Neither side has provided any new arguments or evidence in response to my provisional decision. So I see no reason to change the outcome I reached in my provisional decision.

I understand L&G have not paid the compensation it offered. It should do so if Mr C accepts my final decision.

My final decision

L&G have offered a total of £625 compensation to Mr C. In all the circumstances, I consider that is a fair way to settle this complaint.

My final decision is that Legal & General Home Finance Limited should pay Mr C £625. It must pay the compensation within 28 days of the date on which we tell it Mr C accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 February 2024.

Ken Rose
Ombudsman