

The complaint

Miss R has complained that her application for a further advance with Bank of Scotland plc trading as Halifax ("Halifax") was declined, despite being told when she took the mortgage out that she would be able to secure additional funds once she had made payments for six months.

What happened

Miss R held a joint mortgage with her ex-partner. Following the break down in her relationship, she says that her ex-partner would not allow her access to the property, prevented the sale of the property, and refused to pay the mortgage. Miss R says that she was advised by her solicitor to stop paying the mortgage in order to demonstrate that her ex-partner was not paying so that he could be taken to court and evicted from the property.

The missed payments on the mortgage meant that Halifax entered the arrears on Miss R's credit file. Miss R says that the missed payments were paid to Halifax following the order made by the court so it hasn't lost out on any money. She doesn't feel that it is fair for the missed payments to be added to her credit file in the circumstances.

The joint mortgage was redeemed in September 2020 and Halifax agreed to provide Miss R with a mortgage for the property solely in her name at this time. The amount of the mortgage did not cover the cost of repairs which were needed following deliberate damage caused to the property by her ex-partner. However, Miss R says that she was told that if she paid the mortgage for six months she could then increase the amount of the mortgage to give her the cash to make the essential repairs.

Miss R later applied to increase the amount of the mortgage after six months and again after two years but this was refused by Halifax. This meant that Miss R had to take a personal loan with a much higher interest rate and higher payment over a shorter term. She says that the mortgage was therefore mis-sold as she wouldn't have taken it had she known she would not have been able to borrow the further funds to make the repairs.

Miss R would like Halifax to reconsider allowing her to increase her mortgage to cover the essential work. She would also like it to remove the adverse information on her credit file.

I have previously looked into what parts of Miss R's complaint this service has the power to consider. I set out in my jurisdiction decision (dated 23 February 2024) that this service didn't have any power to help with Miss R's complaint about the credit file, because this was referred out of time. However, I found that we did have the power to consider Miss R's complaint in relation to the further borrowing, including the information she was given at the time she took the mortgage into her sole name and whether Halifax treated her fairly in declining her application.

Halifax hasn't been able to provide the call recordings to evidence what was discussed during the application process in 2020. It says that its agent could have been referring to the fact that a further advance could be *applied for* after a new mortgage account had been open for six months. Halifax accepts that there appears to have been some confusion during the application about how an application for additional borrowing is processed and apologised to Miss R in respect of this.

Halifax says that when Miss R made her most recent application for further borrowing, an agreement in principle was completed to check her eligibility. However, the application was declined in August 2022 due to the overall credit risk score. Miss R was informed in Halifax's final response letter on 15 September 2022 that her case had been referred to its underwriters for review and that they had asked for some additional information before giving a decision on the additional borrowing application.

Following this, Halifax says that Miss R's application was subject to a review and a mortgage illustration was produced on 15 November 2022 based on the information provided. However, in January 2023, Miss R decided not to proceed with this as she was considering re-mortgaging with her new partner. Therefore the application was not progressed any further.

Our investigator looked into Miss R's complaint and agreed that she may have been given incorrect information by Halifax when she took out the mortgage, although he was unable to confirm this as the calls were unavailable. However, he found that it wouldn't have been reasonable for Halifax to have told Miss R at that stage that she wouldn't be able to borrow more money later as this would be subject to the lending criteria at the time. The investigator found that Miss R's subsequent application was subject to Halifax's usual assessment and there was nothing to suggest that she was treated any differently to any other applicant. Following her complaint, Miss R's application was referred to the underwriters to do a manual assessment and a mortgage illustration was produced, after which Miss R withdrew her application. The investigator therefore found that Halifax had treated Miss R fairly and didn't ask it to do anything further.

Miss R disagrees with this so the case has come to me to make a decision. She says that she did not proceed with the application but this was because she was told by Halifax's representative that she stood no chance of the application being successful and it would not meet the criteria to be referred to the underwriters. Therefore, she says that she did not want to adversely affect her credit score even further by making an application which was guaranteed to fail.

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 looked at the evidence I agree with the investigator's view for broadly the same reasons and I've explained my reasons further below.

Miss R says that she was reassured when she took out the mortgage in her sole name that she could add more to the mortgage amount if she fulfilled six months of payments.

Halifax has said that its policy is that it will only consider a request for additional borrowing once an account has been open for more than six months, and this is assessed in the same way as any other application for mortgage lending. This is the information which *should* have been provided to Miss R.

Unfortunately, there are no longer any records of the conversations which took place when Miss R took the mortgage out in her sole name so it is impossible to confirm exactly what was said at that time. However, Halifax has accepted that there may have been some confusion in what Miss R was told about the process and her understanding as a result of this. It has apologised for any confusion and I think this is reasonable.

Had things happened correctly, then Miss R should have been told that that she would still have to meet the relevant criteria after the six months had passed. So Halifax wouldn't have been able to advise Miss R when she took the mortgage out whether she would or wouldn't be able to meet this criteria, as it would depend on the circumstances at the time of the application for additional lending.

Before lenders are able to lend money to customers, they must follow strict regulatory requirements in order to determine whether and how much they are able to lend. Different lenders will have different lending criteria and, whilst it is ultimately for them to decide whether to lend to a customer, they must reach this decision fairly having regard to the relevant rules.

Halifax has said that several checks are carried out on an application, including eligibility checks, affordability checks and reviewing information from credit reference agencies. I have looked at Halifax's lending criteria, which sets out that an application can be declined on the basis of the credit score but that this is subject to a right of appeal and the case can be referred to an underwriter in certain circumstances.

Miss R was sent a letter on 1 August 2022 setting out that the application had failed to meet the qualifying criteria as the total credit score was below the required approval level. Following Miss R's complaint, Halifax wrote to her on 15 September 2022 setting out that it had referred the matter to its underwriters for a review and that they had asked for some further information, including proof of income, before giving a decision. Following this, Miss R went through a new application and a mortgage illustration was produced on 15 November 2022. The underwriters were awaiting further information to see if an offer could be provided but Miss R withdrew her application at this stage.

Having considered the evidence, I am satisfied that Miss R has not been treated unfairly and that her application has been dealt with in line with Halifax's guidance and in the same way as other customers, both in terms of the initial declining of the application and then the review process. I think it was reasonable for the underwriter to request further information in order to ensure that Miss R met the affordability requirements for the additional borrowing. However, this was never provided so the application couldn't progress any further.

I've considered what Miss R has said about withdrawing her application because she was told by Halifax that she had no chance of it succeeding. I have looked at the application notes which show that Miss R was chased for the outstanding information on a number of occasions prior to advising that she no longer wanted to proceed. Given that the new application was referred to the underwriters and a mortgage illustration produced following this, it seems to me that the application was progressing. If the application stood no chance of succeeding, I can't see that Halifax would request this information at all. I also note that Halifax has confirmed that this process was similar to the process that Miss R went through when taking the mortgage into her own name – for which the application was ultimately accepted.

Whilst I can understand that Miss R has been through a difficult time and is frustrated by the application process for the additional borrowing, I am satisfied that Halifax has treated her fairly and in line with its lending criteria. I therefore won't be asking Halifax to do anything further.

My final decision

I know my decision will come as a disappointment to Miss R, but I can't say that Halifax has acted unreasonably in the circumstances of this case and I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 31 May 2024.

Rachel Ellis
Ombudsman