

The complaint

Mr and Mrs S complain that an appointed representative of Affinity Select Insurance Services Limited made errors when it submitted a mortgage application on their behalf. As a result, they missed out on a lower interest rate product. They ask for compensation.

What happened

Mr and Mrs S took mortgage advice from Affinity in September 2023. It recommended they apply to their lender for a five-year 3.39% fixed interest rate product. Affinity made an error: it submitted the product transfer application in one name rather than joint names. The application had to be re-submitted, by which time interest rates had increased.

Affinity said while it made an error with the names on the application, the lender was also to blame. Affinity said the lender didn't notify it that the names were incorrect. And it didn't engage constructively to sort matters out. It offered £100 compensation to Mr and Mrs S.

I sent a provisional decision to the parties setting out why I intended to uphold this complaint. My reasons were substantially as set out below. I also said in my provisional decision that I intended to order Affinity to pay compensation to Mr and Mrs S for their additional interest costs and the stress and inconvenience caused. Both parties agreed.

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.

Affinity submitted an application on behalf of Mr and Mrs S for a new product in September 2022. They already had a mortgage with the lender and there seems no reason the product transfer shouldn't have succeeded. However, both Affinity and the lender made errors. I've set out briefly the key events.

- Affinity submitted a product transfer application on 20 September 2022. The application was incorrect as it was in Mr S's sole name. It should have been submitted in Mr and Mrs S's joint names.
- The lender withdrew the 3.39% product on 3 October 2022. From 4 October 2022 the interest rate for an equivalent product was 4.89%.
- Mr S emailed Affinity on 5 October 2022 for an update as they hadn't heard anything from the lender. It appears Affinity didn't respond.
- Mr S emailed Affinity again on 17 October 2022 as they still hadn't heard anything from the lender.
- On 18 October 2022 Affinity discovered the application hadn't progressed due to its error with the names. It submitted a new application on behalf of Mr and Mrs S. The product rate was 5.69%

- Affinity says it tried to contact the lender's business development manager. The lender says Affinity didn't submit a product sanction (to allow Mr and Mrs S to retain the 3.39% product). Affinity says as it didn't get a response from the lender it raised a complaint on behalf of Mr and Mrs S and passed the matter to its compliance supervisor. It gave Mr S an incorrect email address for the compliance supervisor.
- Mr and Mrs S's product expired on 31 January 2023. They re-mortgaged with a new lender in February 2023. They have an interest rate of 5.60%

Affinity says the lender is responsible for Mr and Mrs S's additional costs because:

- It wouldn't usually check the progress of a product transfer application. That's because no documents need to be submitted and the usual process is for the lender to notify the broker if there's a problem.
- The lender was aware of the problem by 26 September 2022 but failed to notify Affinity. This would have allowed time for the application to be corrected and re-submitted.
- The lender failed to engage constructively with it after 18 October 2022 to find a solution.

Having considered what Affinity said, I think it is primarily responsible for Mr and Mrs S missing out on a lower interest rate product.

Affinity sent an email to the lender in mid-November 2022 and a letter in December 2022. It said only three of its staff members can access secure messages from the lender. This didn't include the mortgage adviser that submitted the application on behalf of Mr and Mrs S. It said "This is a known issue which neither party have been able to rectify. Consequently, [*mortgage adviser*] did not see the e-mail from [*lender*] and so no reply was sent."

Affinity was aware that some of its staff – including the mortgage adviser – couldn't access and receive messages from the lender. So while it says it relies on the lender notifying it if there's a problem with a product transfer application, I don't think it was reasonable to do so here. In fact, the lender mis-addressed the email about the error. But that doesn't mean it wouldn't have been reasonable for Affinity to check that the application was progressing. Affinity might have been able to correct its error before 3 October 2022 if it had done so.

Mr S emailed Affinity on 5 October 2022 for an update as they hadn't heard anything from the lender. If Affinity had acted on this, it might have found out about the problem with the application. At that time, the interest rate available to Mr and Mrs S was 4.89%. Also, the 3.39% product Mr and Mrs S had asked for had only just been withdrawn. While we can't now know the outcome, Affinity and Mr and Mrs S might have had a stronger argument for the lender to allow them to keep the product. However, it seems Affinity didn't respond and Mr S had to send a further email asking for an update, by which time rates had increased again.

Affinity says while it made the original error, the chain of causation was broken because the lender failed to send the email about the error. Matters might have turned out differently if the lender had sent the email and Affinity had submitted a correct application before the product was withdrawn a week later. But I don't think this makes it reasonable to say that the lender is responsible for Mr and Mrs S additional interest costs. Affinity made the original error. Had it completed the application correctly I think Mr and Mrs S would have secured the product. And it made further errors in not checking the progress of the application. This was despite it knowing there was a problem with it receiving messages from the lender. And despite Mr S asking for an update. The lack of communication from the lender didn't prevent Affinity checking the progress of the application.

It's unclear whether Affinity followed the correct process to raise a product sanction with the lender – this is disputed by the parties and the available evidence hasn't helped me reach a conclusion. But by the time Affinity raised the issue with the lender several weeks had passed and the lender's product rates had increased at least twice. I don't think I can fairly say the lender should be responsible for Mr and Mrs S's additional interest costs because it didn't agree they could retain the 3.39% product.

Putting things right

To put things right, Affinity should:

1. Pay Mr and Mrs S the difference in the amount of interest they will pay due to being on a five-year product with an interest rate of 5.60% instead of 3.39% from 1 February 2023.

Following my provisional decision Affinity calculated the compensation as £8,400. We shared the calculation with Mr and Mrs S, who said they were happy with this.

2. Pay £300 to Mr and Mrs S for the stress and inconvenience caused.

Mr and Mrs S told us they're worried about meeting the higher payments. I must, in fairness, take into account that the new lender will have assessed the mortgage as affordable for Mr and Mrs S. Nonetheless, Mr and Mrs S missed out on the product they wanted and were left worrying about what would happen for several weeks during a time of interest rate rises. And Affinity gave them an incorrect email address for the person dealing with the lender on their behalf, which would have added to this worry. Mr and Mrs S have made higher monthly mortgage payments since February 2023, which will have reduced their disposable income. I think £300 compensation is fair and reasonable in the circumstances.

I don't think it's fair and reasonable to require Affinity to pay 8% interest on the additional interest amounts Mr and Mrs S have paid to their new lender since February 2023. That's because when they receive the compensation this will be in advance of most of the interest payments. Mr and Mrs S will have the benefit of the money in the meantime. I think this will fairly balance out the financial impact of having to make higher payments since February 2023.

In some circumstances I'd consider it fair to require Affinity to compensate Mr and Mrs S for any costs incurred in re-mortgaging. I don't think that's the case here. I can understand why Mr and Mrs S decided to leave their lender, but ultimately it was their decision to do so. Emails between Affinity and Mr and Mrs S in mid-November 2022 suggest that the lender's product rates were lower than when they applied for the 5.69% product. So they didn't need to re-mortgage to secure a lower rate.

My final decision

My decision is that I uphold this complaint. I order Affinity Select Insurance Services Limited to pay £8,700 in total to Mr and Mrs S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 17 April 2024.

Ruth Stevenson
Ombudsman