

## **The complaint**

Mrs V and Mr W complain that an appointed representative of Connells Limited gave them poor mortgage advice. When I refer to Connells in this decision, this includes references to the appointed representative. Mrs V and Mr W ask for compensation.

## **What happened**

Mrs V and Mr W took mortgage advice from Connells under a lifetime member agreement. In mid-2022 Connells recommended and applied for a mortgage on their behalf. Mr W says it was Connells that calculated the amount they'd need to borrow to repay their mortgage and half of their help to buy (HTB) loan. In September 2022 they found out the calculations were wrong. They had to re-apply for a different loan amount. Interest rates had increased.

At this point Mr W arranged a product switch with their existing lender. He says the wrong advice and delays caused by Connells cost them money. They incurred costs, such as valuation fees and HTB administrator's fees, and went onto their lender's standard variable rate. They took out policies in July 2022 expecting to take out a larger mortgage loan, which they later cancelled. Mr W says the key information document sent to them by Connells didn't say that protection insurance was optional.

Connells said it hadn't caused any delays. It said as Mr W and Mrs V might not want to use their services in future, it offered to refund £150 of the loyalty fee to settle the complaint.

I sent a provisional decision to the parties explaining why I intended to uphold the complaint and require Connells to pay compensation. Both parties agreed. Connells provided calculations of the compensation due, which we shared with Mrs V and Mr W.

## **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.

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.

Mrs V and Mr W had taken out a lifetime member agreement with Connells in 2017. They received an email from Connells in April 2022 saying their fixed rate was due to expire and asking them to arrange an appointment to discuss their options. Mrs V and Mr W's interest rate product was due to expire at the end of August 2022. I don't think it was wrong for Connells to contact Mrs V and Mr W. This is consistent with their lifetime membership fee arrangement. It was for Mrs V and Mr W to decide if they wanted to take mortgage advice from Connells.

Mrs V and Mr W did take advice from Connells. So Connells needed to ensure any recommendation was suitable. To do this it needed to collect information about Mrs V and Mr W's aims and circumstances. It met with Mrs V and Mr W in May 2022 and recorded

information about them and their circumstances.

Connells recorded that Mrs V and Mr W wanted the cheapest mortgage over the same term, with a fixed rate product for five years and half of the help to buy loan remaining.

Mr W said they didn't suggest they wanted to repay part of the HTB loan. He says they asked if they were eligible to repay it and Connells said they could repay half. Connells notes suggest that Mrs V and Mr W wanted to repay the HTB loan. Either way, having established they could repay part of the HTB loan, it was for Mrs V and Mr W to decide whether to do so.

Connells provided evidence that it searched the market for mortgages and explained to Mrs V and Mr W why cheaper mortgages weren't recommended. I don't agree with Mr W that Connells only considered one mortgage lender. If what he means is that it only recommended one mortgage, then I don't think that was an error. That's what I'd expect to happen.

Connells sent a message to Mrs V and Mr W in mid-May 2022. This said an agreement in principle had been accepted for them to borrow an additional £120,000 to pay off half of the HTB loan. It said an information pack about repayment of the HTB loan was attached.

The HTB information explains what happens when the HTB loan is repaid. This includes the need for a valuation and sets out the fees payable to the HTB administrator. It says the cost of repaying the HTB loan is calculated by the HTB administrator based on the valuation. Broadly, the cost of repaying the HTB loan is the same percentage of the property value as the loan was when taken out. But it's the HTB administrator that gives the exact amount.

A valuation of Mrs V and Mr W's property was carried out on 1 June 2022. The valuation of the property had fallen from £550,000 when Mrs V and Mr W bought the property to £500,000 in June 2022.

Connells calculated that Mr W and Mrs V would need to apply for a mortgage of £380,000 to repay their existing mortgage balance (about £280,000) and half of the help to buy loan (£100,000).

I think Connells made an error at this point. Because of the lower valuation, borrowing £380,000 would leave Mrs V and Mr W with less than 5% equity in the property. This wouldn't be acceptable to the HTB administrator. I think Connells should have told Mr W and Mrs V in early June 2022 that they couldn't borrow enough to repay the existing mortgage and half of the HTB loan and discussed other options with them.

Instead, at the end of June 2022, Connells submitted a mortgage application on behalf of Mrs V and Mr W for a loan of £380,000. A mortgage offer was issued in early September 2022.

On or about 20 September 2022 the HTB administrator raised an issue in that Mrs V and Mr W wouldn't own at least 5% of the equity in the property.

In order to proceed, the loan amount had to be reduced. The lender said a new application was required with a product available at that time, with a higher interest rate.

Mr W and Mrs V agreed a product switch (for a tracker product) with their existing lender the next day.

The new lender then said Mrs V and Mr W could keep the original product, but by that time they'd taken out the new product with their existing lender. This has an early repayment

charge.

Mr W says there were delays caused by poor communication and errors by the lender and solicitors. I can only look into Connells here, and not any other parties.

Mr W said the solicitors misunderstood that all of the HTB loan would be repaid, rather than part of it. Mr W had trouble sending and receiving emails with the solicitor. But I can't see that Connells was responsible for this problem.

The mortgage offer issued in early September 2022 had a condition that the HTB loan was repaid in full. It seems the lender also expected all of the HTB loan to be repaid. It's not clear to me whether this error was caused by the lender or by Connells. I don't think it changes the outcome of the complaint either way. As I said, I think Connells had already made an error in June 2022 when it recommended Mrs V and Mr W apply for a mortgage of £380,000.

Because of this error, Mr W and Mrs V applied for a mortgage that they couldn't take out. I think Connells should compensate them for any related costs and for the inconvenience and upset of the application process.

### **Putting things right**

I set out in my provisional decision what compensation I thought Connells should fairly pay, based on the available evidence, and asked the parties to comment. This was broadly as set out below. Both parties agreed.

I don't think it's fair and reasonable to require Connells to compensate Mr W and Mrs V for any costs incurred before early June 2022, including the valuation fee. Connells didn't know the valuation would be lower than when Mrs V and Mr W bought the property.

I don't think it's fair and reasonable to require Connells to pay compensation to Mrs V and Mr W for any costs or inconvenience caused by them taking out insurance products. Connells sent "key information on our mortgage and protection service" to Mr W in April 2022. This said it would advise and recommend protection products. It also said their decision whether to buy protection products wouldn't affect their mortgage application.

But I do think it would be fair and reasonable for Connells to compensate Mr W and Mrs V for any costs related to the application incurred after early June 2022. This would include any application fee paid to the lender and fees paid to the HTB administrator.

It's difficult now to know what Mr W and Mrs V would have done if they'd been given correct advice in June 2022. That is, that they could borrow a maximum of £375,000.

Mr W and Mrs V might have stayed with their lender and switched to a new product. This seems unlikely given they decided to take mortgage advice to look into re-mortgaging. Mr W and Mrs V might have applied to re-mortgage for a smaller amount and made up the difference (about £5,000) with their own funds. Or they might have applied to re-mortgage for a smaller amount without repaying the HTB loan.

Whatever Mr W and Mrs V might have decided to do, I think the incorrect application delayed them proceeding. They were on their lenders standard variable rate from 1 September 2022 until the new tracker product took effect. I think Connells should compensate them for their additional interest costs for this period. This would be the difference between the amount they paid and the amount they would have paid if their tracker product had applied from 1 September 2022.

Mortgage interest rates increased between mid-June 2022 and mid-October 2022. Mr W and Mrs V might have secured a lower interest rate product if they'd made a successful application to switch products or re-mortgage in late June 2022. The fact that they received a mortgage offer in early September 2022 (albeit with errors that meant they couldn't proceed) suggests a mortgage re-application for a smaller amount would have been successful.

But for me to require Connells to pay compensation for Mr W and Mrs V's additional interest costs I'd need to be able to calculate what these are. The application Mr W and Mrs V made in June 2022 was for a five-year fixed rate product. In October 2022 they took out a two-year tracker product. It would be difficult to compare their interest costs as I don't know what will happen to interest rates in the future. And Mr W and Mrs V didn't increase their borrowing to repay part of the help to buy loan. Whether they will gain or lose from this will depend on interest rates and future changes in the value of their property.

I think this matter did cause Mrs V and Mr W inconvenience and upset. They had to provide information and supporting documents for an application that couldn't succeed. They had to deal with various issues and delays before this came to light. I think Connells should pay compensation of £500 for the upset and inconvenience caused to Mr W and Mrs V.

Following my provisional decision, Connells provided calculations which showed total compensation due of £2,629.52. We shared the calculations with Mr W and Mrs V, who didn't raise any objections.

### **My final decision**

I uphold this complaint and order Connells Limited to pay £2,629.52 to Mrs V and Mr W.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr W to accept or reject my decision before 14 May 2024.

Ruth Stevenson  
**Ombudsman**