DRN-4710189

The complaint

Miss B complains about the service she received from Nicholas Truss, trading as MDS Financial Group – a mortgage broker and appointed representative of Quilter Mortgage Planning Limited. Miss B says the broker's poor handling of her request for a new interest rate product on her mortgage resulted in her having to take a product with a higher rate than she should have got.

What happened

Miss B initially took mortgage advice from MDS in 2017 when she was buying a new property. She took a five-year fixed interest rate product which was due to end on 31 December 2022. She later took a further advance without any involvement from MDS, on an interest rate product that ended slightly earlier, on 31 October 2022.

In July 2022 Miss B contacted MDS because her interest rate products would be ending before long and she wanted to discuss taking a new fixed rate deal. She and the adviser agreed to defer discussions until September 2022, which was the earliest a new product could be arranged on the main mortgage in order for it to start in January 2023.

On 7 September 2022, Miss B sent a text message to the adviser to start the process of arranging a new mortgage deal. On 15 September 2022 she phoned the adviser as she hadn't heard anything. The adviser asked her to send various documents, which she did the same day and on 16 September 2022.

On 23 September 2022, Miss B hadn't heard from the adviser so she sent another message. The adviser replied on 24 September 2022 confirming receipt of Miss B's documents, and saying that he would review them the following Monday (26 September).

On 29 September 2022 Miss B sent a text message and an email to the adviser because she hadn't heard anything and she was concerned about rising interest rates. The adviser said he was away from the office due to personal circumstances and that he'd contact Miss B again the next day (30 September).

On 3 October 2022 Miss B sent the adviser a text message because again she hadn't heard anything. She and the adviser had a discussion on the phone the same day about recent increases in mortgage interest rates, and agreed to wait to apply for a new mortgage deal in the hope that things would improve. The adviser said he would phone Miss B again in two weeks' time. He didn't then do so.

In December 2022, Miss B made a complaint about the way she had been treated. She had in the meantime taken advice from another firm of brokers, and taken a new mortgage product with her existing lender, at a fixed interest rate of 4.84% until 31 December 2032. Miss B said she had ended up with a higher interest rate because of the MDS adviser's lack of action and lack of communication. She wanted compensation.

MDS accepted that its adviser hadn't responded to Miss B or contacted her in a timely way, and said the adviser had been dealing with some personal issues. It offered Miss B £250 for any trouble and upset this caused. But it said its adviser hadn't entered into a formal agreement to source a new mortgage product for her, and she could have contacted her lender directly or gone elsewhere sooner.

Miss B asked the Financial Ombudsman Service to look into her complaint. Our Investigator thought MDS had done enough to put things right. Miss B didn't agree, so she asked for an Ombudsman to make a decision.

My provisional decision

I didn't think MDS's offer went far enough, so I issued a provisional decision. I said:

> I've looked very carefully at the timeline of events in this case. Both MDS and Miss B are broadly in agreement about the background and what happened when, including about the adviser's failures to get back to Miss B when he said he would. As a result, Miss B had to chase the adviser up multiple times, and ultimately she felt she had no choice but to take advice elsewhere.
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> I'm satisfied from the contemporaneous correspondence I've seen between Miss B and the adviser that Miss B understood the adviser was going to arrange a new interest rate product for her in 2022. I consider it was entirely reasonable for her to have understood that. Arranging a new deal was the purpose of Miss B's having contacted the adviser in the first place, the same adviser had given her advice about her mortgage arrangements and recommended a product in 2017, and there is nothing to indicate that he told her in 2022 that he couldn't help her or accept her as a customer.
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> I don't accept, as MDS has argued, that Miss B had any reason to suppose that the adviser might not be prepared to advise her. The emails and text messages between Miss B and the adviser show that the adviser told Miss B multiple times that he would get back to her after reviewing her situation; he also asked her to provide various documents including payslips. It's difficult to see why all of that might have happened had the adviser had no intention of advising or been unable to advise Miss B about a new mortgage deal. Whether or not an initial disclosure document was completed doesn't change any of this.
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> Miss B was under the impression that the adviser was sourcing her a new interest rate product. While the adviser did make her aware on 29 September that he had a difficult personal issue to deal with, he gave no indication that this meant he would be unable to help her; on the contrary, he said he would contact her the following day to set out her options.
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> MDS has accepted that there were failings in the adviser's communication with Miss B and has offered her some compensation for trouble and upset. In the circumstances, however, I think the adviser's failings led to financial loss – as well as inconvenience, upset, and frustration. I consider that but for those failings Miss B would have had a new interest rate product in place for her mortgage sooner, and before 23 September 2022 – which is when interest rates increased very quickly and unexpectedly following the 'mini-budget'.
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> I think it was reasonable for the adviser initially to have told Miss B in July 2022 that she should wait until September before arranging a new mortgage interest rate. The existing fixed interest rate on her main mortgage wasn't due to end until the end of 2022, and Miss B would have had to pay an early repayment charge if she had transferred the mortgage onto a new interest rate product before then.

In September 2022, however, closer to the existing fixed interest rate ending, Miss B could have booked a new product in advance, including with her existing lender. That's reflected in the letter she received from her existing lender in September 2022, which she sent to the adviser on 15 September 2022, and which said she could apply to switch to a new deal with that lender without paying an early repayment charge.

Miss B simply wanted to switch to a new interest rate deal. She wasn't making any other changes to her mortgage, such as borrowing more money or extending the term. This should have been a straightforward rate switch. MDS has said that its usual turnaround time from first contact with a client to securing the most suitable rate is around five working days – assuming there are no delays and there is no information missing.

It's clear in this case that Miss B was keen to progress the matter as soon as possible as she was concerned about the wider economic and political climate and rising interest rates. She chased the adviser up multiple times and provided documents promptly when asked. The delay and inaction was down to the adviser alone and, in the circumstances, and taking account of MDS's usual turnaround time, I see no reason why Miss B might not have been able to arrange and book a new interest rate product by 22 September 2022 at the latest if the adviser had dealt with her requests in a reasonably responsive and appropriate way. This allows more than two weeks from Miss B's initial contact with the adviser in September 2022, and a week from the adviser's request for and receipt of documents from Miss B.

As I've already said, mortgage interest rates changed significantly and quickly following the 23 September 2022 'mini-budget'. I consider that, given the chain of events and timeline in this case, if it weren't for the adviser's delays and lack of communication, Miss B would have taken a new interest rate product before that date. It follows that I provisionally find MDS should compensate her for the financial loss she has incurred and will incur as a result.

Putting things right

Miss B went on to take a 10-year fixed interest rate product with her existing lender, at a rate of 4.84% until 31 December 2032. I think it most likely that she would have taken the equivalent product sooner but for the MDS adviser's delays and lack of communication.

Miss B has provided copies of letters her lender sent to her in 2022 reminding her that her fixed rates were ending and including details of new interest rate products available to her based on her mortgage loan-to-value. Of the available rate sheets, the closest dated sheet to 22 September 2022 is 7 September 2022, when the lender had available two 10-year fixed interest rate products for which Miss B would have been eligible:

- 3.94% with a £999 fee; or

- 4.14% with no fee.

Miss B doesn't appear to have paid a product fee for the product she ultimately took, so I provisionally consider that the fairest approach to compensation is to direct MDS to compensate her on the basis that she would have taken the 4.14% fixed interest rate product as above. I will reconsider that approach if, in response to this provisional decision, either MDS or Miss B provide details of an alternative 10-year fixed interest rate with Miss B's lender which was available on 22 September 2022 and for which Miss B is likely to have been eligible given her mortgage loan-to-value and other relevant circumstances.

MDS has already offered to pay Miss B £250 in recognition of the impact caused by its poor service. I agree that Miss B should fairly receive some compensation for her wasted time, worry at a time of rising interest rates, and avoidable upset. I consider £250 is a fair award in recognition of her non-financial loss.

So, to settle this complaint, I propose to require Quilter Mortgage Planning Limited to:

- calculate the difference in interest Miss B will pay on her mortgage at a rate of 4.84% compared to a rate of 4.14% from 1 January 2023 until 31 December 2032, and pay the difference to her; and

- pay Miss B £250 compensation.

I don't intend to require Quilter to pay interest on the extra interest Miss B has paid on the higher rate to date, since payment of a lump sum now to compensate Miss B for future losses will offset any interest I might have awarded for loss of use of that money.

I invited Miss B and MDS to let me have any further comments or evidence they wanted me to consider before I make my final decision.

Miss B said that the interest rate product she took out in late 2022 did in fact have a product fee of £999, and the fee was added to her mortgage. She provided copies of the relevant mortgage documents to demonstrate that. She also said her lender had lower interest rate products available at the relevant time in 2022 than those I set out in my provisional decision – the lowest of those rates was 3.69% with a £999 fee, so compensation should be calculated on that basis.

MDS said it had nothing further to add.

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 party has disagreed with the reasons I set out in my provisional decision for upholding this complaint. However, Miss B has questioned the basis on which I proposed that she be compensated and has provided further evidence for me to consider.

Miss B has referred to the letter her existing lender sent to her in September 2022. This letter provided a list of interest rates Miss B may have been eligible to apply for – a rate sheet. Miss B has said that this shows she could have taken a 10-year fixed interest rate of 3.69% with a £999 product fee.

This information was available during my initial review of this complaint. The letter Miss B has referred to says, below the list of rates, "Rates correct as of 12 August 2022". The letter Miss B's lender sent to her later, dated 5 October 2022, said the rates it contained were "correct as of 7 September 2022". Those 7 September 2022 rates were therefore the closest ones for which Miss B could have applied at the relevant time in this complaint – on or shortly before 22 September 2022. The rates from 12 August 2022 would no longer have been available.

However, Miss B has shown that she did in fact pay a product fee of £999 for the 10-year rate she took with her existing lender, and the fee was added to the mortgage. Our Investigator has already shared this information with MDS and explained that on this basis it's most likely that Miss B would have taken the 3.94% 10-year fixed rate with a £999 fee rather than the 4.14% 10-year fixed rate with no fee – and so my proposal to base compensation on the higher 4.14% rate would be likely to change to the lower 3.94% rate. MDS has had the opportunity to comment on this revised approach but has told us it has nothing more to add.

I said in my provisional decision that I would reconsider my proposed approach to compensation if either MDS or Miss B provided details of relevant alternative rates, for which Miss B is likely to have been eligible. I think Miss B has shown that she was eligible for and is most likely to have taken the 3.94% 10-year fixed rate with a £999 fee, and to have added the fee to the mortgage, given that she ultimately paid the same fee for a lower rate and added it to her mortgage. I therefore consider that the fair and reasonable way to put things right is to base compensation on the 3.94% interest rate product.

My final decision

My final decision is that I uphold this complaint. Quilter Mortgage Planning Limited must:

- calculate the difference in interest Miss B will pay on her mortgage at a rate of 4.84% compared to a rate of 3.94% (with a £999 fee added to the mortgage) from 1 January 2023 until 31 December 2032, and pay the difference to her; and

- pay Miss B £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 24 April 2024.

Janet Millington
Ombudsman