

The complaint

Mr D and Miss Z's complaint is about mortgage advice they were given by a representative of Quilter Mortgage Planning Limited (Quilter). They say that, because of errors by Quilter they lost out on the mortgage interest rate they wanted. They had to accept a higher rate of interest, and would like Quilter to compensate them for their financial losses.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, Quilter has accepted it made an error, and acknowledges that compensation is payable. Therefore I don't have to analyse the events to establish whether Quilter is at fault; all I need to determine is what Quilter needs to do to put things right.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr D and Miss Z being identified.

For these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr D and Miss Z were applying for a new mortgage which was being arranged for them by Quilter. They wanted a capital repayment mortgage over a 35-year term. In December 2021, on the advice of Quilter, they chose a lender (NW) offering a mortgage with an initial five-year fixed rate of 1.42%. Mr D and Miss Z say they were told that this rate was locked in and that they had three months from 15 December 2021. Quilter confirmed in an email dated 15 December 2021 that the rate was reserved until 15 March 2022.

An application was made in February 2022, but on 22 March 2022 Mr D and Miss Z were told NW wouldn't offer the full amount, but would lend about £14,000 less than had been applied for. Mr D and Miss Z agreed to go ahead on that basis. They were told by Quilter on 31 March 2022 that the 1.42% product had expired.

Mr D and Miss Z went ahead with a new five-year rate of 2.19%, and because Mr D had had a salary increase, were able to borrow the amount they needed. However, they complained about missing out on the 1.42% interest rate.

Quilter explained that, in order to reserve the 1.42% interest rate, NW required there to be a formal mortgage offer issued within 90 days of the rate being reserved. Quilter accepted that this hadn't been properly explained to Mr D and Miss Z, and so acknowledged that the complaint should be upheld.

Quilter offered to refund the difference in the monthly payment between the 1.42% rate and the 2.19% rate for the original amount Mr D and Miss Z were going to borrow - £504,301. This amounted to £11,744. Quilter also offered compensation of £300.

Mr D and Miss Z didn't accept this so they brought their complaint to our service. An Investigator looked at what had happened. She thought Quilter needed to do more to settle the complaint. In addition to the compensation Quilter had already offered, she thought it should also pay a lump sum to take account of an increase in the capital balance on the mortgage at the end of the five-year term.

This still didn't resolve the complaint and the Investigator looked at it again. She revised her findings, and asked Quilter to do the following:

- refund the difference in payment between the 1.42% rate and the 2.19% rate on the mortgage balance of £504,301 over the 60-month period;
- pay interest at 8% simple per annum on the difference in payments Mr D and Miss Z had already paid, from the date of completion to the date of settlement;
- refund £500 of the product fee;
- pay compensation for trouble and upset of £500.

Neither party accepted this outcome.

Mr D and Miss Z say that they calculate the difference in the interest payments to be substantially higher than Quilter's calculations. They are also unhappy that there is no longer any compensation offered for their loss in relation to the increased capital balance on the mortgage. They dispute the way Quilter has calculated the interest rate differential and say that this will lead to inconsistencies in future decisions.

Quilter is also unhappy at the redress. Quilter doesn't agree that it should pay interest on payments that have already been made, or refund half the product fee. Quilter is also unhappy that the compensation for distress and inconvenience has been increased from £300 to £500.

Because neither side has accepted the Investigator's findings, it falls to me to issue a decision.

Provisional decision of 20 March 2024

I issued a provisional decision, in which I made the following findings.

There is no issue here that the service Quilter provided fell short of what Mr D and Miss Z should have been given, and all parties have accepted this. Therefore the only issue I need to decide is what should be done to put things right.

Having considered all the evidence and thought about what both parties have said, I've reached a different conclusion from the Investigator about what should be done to put things right.

It's acknowledged by all parties that Quilter should compensate Mr D and Miss Z for the additional interest they will have to pay over the five-year initial fixed rate period. I have carried out my own calculations, and have checked these against two separate websites that provide amortisation calculation tools.

On a capital repayment mortgage of £504,301 over a five-year term, the calculations show the following amounts would be paid in interest:

1.42%	£	2.19%	£
Year 1	6,503.73	Year 1	10,043.12
Year 2	6,941.63	Year 2	10,750.86
Year 3	6,779.39	Year 3	10,532.06
Year 4	6,614.83	Year 4	10,308.42
Year 5	6,447.91	Year 5	10,079.83
Total:	33,287.49	Total:	51,714.29

The difference in the amount Mr D and Miss Z will pay in interest is therefore £18,426.80 over the five-year term. If Quilter had not made an error, Mr D and Miss Z would not have incurred this additional expense. Therefore, this is the amount which Quilter is required to pay to put Mr D and Miss Z back in the position they'd have been in if the error hadn't been made.

Quilter must also pay interest at 8% simple per annum on the difference in the monthly repayments Mr D and Miss Z have made at 2.19% and the payments they would have made at 1.42%, calculated each month from the date the payment was made until the date of settlement.

I've noted what Quilter has said about the length of time that has elapsed and that it doesn't feel it should have to pay this interest. However, Quilter will be aware that we award such interest where consumers are out of pocket, so this should have been offered by Quilter at the outset.

I'm not persuaded that there should be any consequential reduction in the capital balance of the mortgage account. The loss incurred is in relation to additional interest paid, and although I note what Mr D and Miss Z have said, I'm satisfied that reimbursing them for the additional interest is fair and reasonable. They will be able to use the lump sum to reduce the balance on the mortgage, should they wish to do so – although they will need to be mindful of any early repayment charge, and be aware of the annual limit on making overpayments on the mortgage (in this case, up to 10% per annum of the original loan amount during any 12-month period).

The product fee for the 1.42% product would have been £1,499, but the fee for the 2.19% product they eventually took out was £999. I'm therefore not persuaded there's been any financial loss in this respect, so I'm not going to order Quilter to reimburse any part of the product fee.

I'm satisfied Mr D and Miss Z have been caused unnecessary worry, trouble and upset by the errors made by Quilter. I intend to direct Quilter to pay £500 compensation for this.

I'm not going to order Quilter to apologise; even though the complaint was upheld, no apology was given by Quilter in its final response letter. I therefore think that ordering Quilter to apologise would not carry any weight if it wasn't willing to do so voluntarily. An apology given under duress has no value; that said, I hope that Quilter would recognise that an apology is due and apologise of its own volition.

To put things right, I thought Quilter should do the following:

- pay Mr D and Miss Z compensation of £18,426.80;

- pay interest at 8% per annum simple on the difference in the monthly repayment at 2.19% and 1.42% from the date of each monthly payment to the date of settlement of this complaint;* and
- pay £500 for distress and inconvenience.

* If Quilter considers that it is required by HM Revenue & Customs to withhold income tax from any interest, it should tell Mr D and Miss Z how much it has taken off. Quilter should also give Mr D and Miss Z a tax deduction certificate if requested, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

Mr D and Miss Z accepted my provisional decision. Despite a reminder, Quilter has not responded.

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.

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I've reviewed the file from the outset, including my provisional decision. Having done so, noting that Mr D and Miss Z have accepted my provisional findings, and that Quilter hasn't replied, I can see no reason to depart from the outcome reached in my provisional decision.

Putting things right

To settle the complaint, Quilter Mortgage Planning Limited must do the following:

- pay Mr D and Miss Z compensation of £18,426.80;
- pay interest at 8% per annum simple on the difference in the monthly repayment at 2.19% and 1.42% from the date of each monthly payment to the date of settlement of this complaint;* and
- pay £500 for distress and inconvenience.

* If Quilter considers that it is required by HM Revenue & Customs to withhold income tax from any interest, it should tell Mr D and Miss Z how much it has taken off. Quilter should also give Mr D and Miss Z a tax deduction certificate if requested, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint. I direct Quilter Mortgage Planning Limited to settle the complaint as detailed above.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Miss Z to accept or reject my decision before 9 May 2024.

Jan O'Leary
Ombudsman

