

The complaint

Mr G complains that he asked a mortgage broker working under the umbrella of Mantra Consultancy & Capital Limited ("Mantra") to apply for a mortgage for him, but although the broker told him the application was in progress, he later found out it was never done.

What happened

Mr G said he wanted to make a mortgage application, for a new home. Mr G wanted to be sure a lender would take account of all of his sources of income, so he asked a broker for help. Mr G said he'd understood that an application was made, and was in progress. He said he was told the lender was waiting for a survey report.

Mr G said that he'd relied on what the broker said about his application, so he paid a solicitor to start the searches on his new property. But after three months, he was suspicious of the delay, so he contacted the lender. He found out that his application hadn't been submitted at all. Mr G said his broker just lied.

Mr G said the lender had since withdrawn the product he wanted to apply for, and interest rates had gone up. Mr G said there were only two lenders who would lend what he wanted, and he'd now taken out a mortgage with the other one. But the delays the broker caused meant he was paying much more interest as a result. Mr G said the broker hadn't even returned his £195 application fee.

Mr G wanted Mantra to pay a substantial compensation package to cover his losses.

When this case came to our service, the brokerage firm that the broker was operating under, said it hadn't heard about this complaint before. It said it was very sorry about what had happened to Mr G.

Mantra said the broker got a mortgage agreement in principle ("AIP") for Mr G on 20 May 2022. Mantra said it could see a mortgage application form was then completed, but just never submitted. Mantra thought that the problem was human error – the final submission button was less clearly signposted with this lender, and the final submission hadn't been done. Mantra said if this had been noted at the time, it could have put things right.

Mantra said it was glad Mr G had since managed to secure a mortgage, but it said he wouldn't necessarily have been successful with his first application. And it noted that Mr G had secured an interest only mortgage, although his application through it was for a repayment mortgage. The rates for these are often different.

Mantra said it wanted to refund Mr G's application fee of £195, pay interest on that at 8% (which it rounded up to £20) pay £500 compensation for Mr G's mortgage application experience and £230 in recognition of how his complaint was initially managed by the same broker. That came to a total of £945.

Mr G didn't want to accept. He said that wasn't enough for what had happened. In particular, he said it didn't take account of the £400 he lost, paying a solicitor to do searches for him. Mr

G said he lost that money, because during the subsequent delays the solicitor then went bankrupt. Mr G also said if he'd been told his application hadn't been done, and this product had been withdrawn, then he could have gone to a new lender sooner and achieved a lower fixed rate. Mr G said the difference in interest rates was going to cost him thousands. He wanted Mantra to cover that.

Mantra also commented that it felt Mr G was always unlikely to get the mortgage its broker should have applied for. It said Mr G put an offer in on a property which cost £30,000 more than the AIP amount. Mantra didn't think Mr G had this additional deposit, or that the lender would have offered this much more lending. It noted he'd since got an interest-only mortgage, and queried whether this was really a residential mortgage, or if Mr G had bought the same property with buy to let lending.

Mantra also said if Mr G did eventually buy the same property, then it couldn't see why it should be responsible for paying for the searches. Mantra said it recognised that Mr G's experience had been unfortunate, but it felt it had done enough to make up for that.

Our investigator thought this complaint should be upheld, but she didn't think Mantra had to pay as much as Mr G wanted. She said Mr G's successful offer on the property was higher than anticipated, and she didn't think the first lender would have approved the higher lending. She also noted that Mr G first applied for a repayment mortgage, but he eventually got an interest only mortgage, and these are quite different products. So she didn't think it would be fair to ask Mantra to pay the difference between the mortgage Mr G wanted, and the one he eventually got.

Our investigator didn't think it was Mantra's fault that Mr G had paid for searches on the property, and it wasn't Mantra's fault that the searches weren't done because the firm Mr G instructed went bankrupt.

Our investigator said she would ask Mantra to increase its £500 compensation payment by £250, and if Mr G could show he'd paid it, to refund the £175 upfront fee paid, as well as the £195 application fee.

Mr G strongly disagreed. He still thought the £400 for searches should be covered by Mantra, he said he wouldn't have instructed those searches if he hadn't been told the mortgage was going ahead. He also thought that he would have been approved for the first mortgage, so Mantra should cover the difference between that, and what he's paying now.

Because no agreement was reached, this case then came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I think if Mr G's application had been processed properly by Mantra, it was still unlikely to have been successful. Mr G told Mantra that he really wanted this particular property, and I can see the offer he had accepted was for more money than he'd anticipated paying for it. His subsequent mortgage borrowing reflected this increase. I think even if no mistakes had been made by Mantra, the first lender would have been unlikely to increase its offer to Mr G to this extent.

If that had happened, Mr G would presumably have lost his broker fee and application fee, so unless Mr G can show us that those would have been refunded on a failed mortgage application, I don't think Mantra has to pay those now.

I also think that Mantra doesn't have to pay for the searches Mr G instructed. Mr G told us he did eventually buy this house, so he wasn't disadvantaged by starting his searches early. In most circumstances, Mr G would still have been able to use those searches to buy the property with a different mortgage. I understand that's not what happened here, but I don't think it's in any way Mantra's fault that the firm Mr G instructed then apparently went bankrupt, and he apparently didn't get any value out of this payment.

I note Mantra seems clear that Mr G would not have been able to increase his borrowing by the amount he apparently needed, and I've explained that I think that's most likely. But there was still a delay in Mr G finding out what had happened. And I think that if everything had gone as it should, Mr G would have been told promptly at the end of July, that this lender was unlikely to increase its offer by the amount he wanted.

This is significant in this case, because if Mr G had been told "no" earlier by Mantra, he could then have approached the other lender, who did eventually lend to him, rather earlier than he eventually did.

Mr G has shown us he received an offer for a mainly interest-only mortgage, on 10 November 2022. That loan was for £400,000, plus a product fee of £995, on an interest rate which was fixed at 6.54% for the first 60 months. Mr G borrowed £353,500 on an interest only basis, and £46,500 on a repayment basis. The offer sets out that Mr G would pay £2,300.65 per month for the first 60 months. This was a residential mortgage.

I've checked with that lender, and if it had been approached at the end of July, it would have offered the same lending, but at 5.69% over five years, instead of 6.54% over 5 years.

I think Mantra is responsible for this delay in Mr G approaching a new lender. So I think Mantra should work out the difference between the monthly mortgage payments Mr G will make for the first 60 months of the mortgage he holds now, and the monthly mortgage payments Mr G would have made if he'd secured the same lending but at 5.69%. Mantra should then pay Mr G the difference, as a lump sum.

I do think that there are advantages to having a lump sum like this upfront, which Mr G may be able to use either to reduce his overall mortgage borrowing, or indeed for whatever else he feels is appropriate. So I don't think Mantra also has to pay compensation in this case. If Mantra has made any payment of the compensation it has previously offered, then it can count that amount towards my proposed award.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides have now replied.

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.

Mr G said he wanted to see what the final amount was, from Mantra, before he decided whether to accept, and he wanted us to forward a figure to him. Mr G also said he wanted to stress that Mantra had lied to him for months, saying the application had been submitted,

when it wasn't. He said Mantra had advised him to go ahead with searches, although no application had been made. Mr G was clear he wouldn't have paid for searches if he'd known the application hadn't actually been made. And the firm he'd commissioned to do those searches then went bankrupt, so he got nothing for that money.

Mr G also said I'd suggested his application through Mantra for a higher amount wouldn't have been successful, but he said he had a very high credit rating, and his application elsewhere for a higher amount was accepted. And a later remortgage was also accepted. So Mr G didn't think I could say an application through Mantra for more lending wouldn't have been accepted.

Mr G also said the product he wanted to apply for through Mantra was probably only withdrawn for new applications, not existing ones. He wanted to know why Mantra would say it couldn't have been resubmitted later, he thought Mantra might be lying to our service about this. He also said he could have afforded a bigger deposit, although Mr G offered no evidence of this.

Mr G still thought Mantra ought to pay the difference between the rate of 2.69% that he'd hoped to secure through it, and the rate he ended up with, of 6.54%. He said he wasn't sure how I'd ended up with a rate of 5.69%. Mr G wanted to know what exactly I'd suggested Mantra should pay - if it was the difference between the rate he wanted and the one he got, or the difference between this higher rate, and what he got. He thought the difference between the rate he wanted and the one he got was the only basis for comparison. And he thought both Mantra and I were trying to limit his settlement.

I did reply to Mr G's emails asking us to clarify the proposed award, but I think my interim response to Mr G has unfortunately failed to clarify things for him. I'm sorry about that. So I want to start by setting out again the basis of the proposed award.

When Mr G told us he wasn't happy with the offer that Mantra had made to him, he said this *"As a result of his failure to update me that the application was void, I could have gone to a new lender sooner and achieve a lower fixed rate."*

That is, in short, what I thought Mr G would have done, if Mantra had actually made his application for him. I thought it was likely that Mr G would not have secured the revised borrowing he wanted with the lender Mantra helped him apply to. But I thought if everything had been done properly, Mr G could have gone elsewhere for his borrowing, much sooner than he did.

So what our service did, was to ask Mr G's current lender, what rate it could have offered him if he'd asked it for lending a little over three months earlier than he did.

That lender said if Mr G had applied over three months earlier, it was likely that he'd have been given the same borrowing, but at a lower interest rate. The rate would have been 5.69%. Our service will forward this evidence to Mr G, so he can see this for himself.

And that was the basis of my proposed award. It's the difference between what Mr G is paying now, and what he would be paying if he'd given up on Mantra much sooner, and gone to his existing lender earlier.

Mr G has questioned whether this was appropriate, because he said I thought the lender he wanted to apply to through Mantra, would have lent to him. Mr G said he did need to pay more for the house than he'd first hoped, but he could still have gone ahead with that.

But I note that when Mr G did then secure other lending, he increased that lending to cover the additional cost of his purchase. He didn't increase the deposit he paid. And if Mr G really did have an extra £30,000 available, then it's not at all clear to me why he would choose to borrow that extra money, at 6.54%, rather than pay it from his own funds.

I explained in my provisional decision that I didn't think it was likely the lender Mantra found for him, would ever have allowed Mr G to extend his borrowing by £30,000 and keep a rate which was no longer available to new customers. In a time of rising interest rates, lenders are much less likely to allow borrowers to greatly extend the requested borrowing, without also amending their application so they're being charged the existing interest rate. I think the lender would have been most likely to treat this as a new application. So I don't think Mr G could have secured the rate he wanted, for the borrowing he wanted.

And, for the reasons I've set out above, I still don't think I'm able to conclude that it is most likely Mr G would have paid the extra money from his own funds. I think it's most likely that Mr G would have done what he told us he would do, back when he first said Mantra's offer of compensation was unacceptable – he'd have gone to a different lender, but done that earlier so he'd have secured a lower rate.

Mr G has also repeated his request for a refund of the money he paid for searches. But my provisional decision explains that I think the reason Mr G didn't get anything for his money wasn't because of anything Mantra did. It was because the firm he paid to do the searches then apparently went bankrupt. Without this bankruptcy, Mr G would still have received the work he commissioned and paid for. The bankruptcy of an unrelated firm is not Mantra's fault. I'm sorry that Mr G ended up paying for his searches twice, but I cannot fairly hold Mantra responsible for costs that this incurred for Mr G.

Mantra also said it disagreed. It said it accepted it was responsible for the actions of the broker, who hadn't handled things as it wanted, so it didn't contest the case being upheld. But it didn't think the proposed redress was equitable.

Mantra said it had worked out the difference between what Mr G was paying now, and what he would have paid on a rate of 5.69%. It said that was £272.43 per month, which added up to £16,345.80 in total, over five years. It said giving Mr G that money upfront was punitive to the business, and allowed Mr G the additional benefit of those funds. It said Mr G could invest the money, and gain an additional £4,000 or more over those five years.

Mantra said it would be fairer for it to pay Mr G £272.43 for 60 months, and it would provide evidence of the monthly payment being set up.

I understand Mantra feels strongly about this, but I don't think it's desirable to spread the resolution of this complaint out, over a five year period. Mr G has already experienced the rare event of a solicitor filing for bankruptcy. If Mantra were to cease to exist during this time, Mr G would not gain the full redress I've awarded.

Nor could I agree that Mantra's offer would put Mr G back in the position that he would otherwise have been in. That's because Mr G's mortgage isn't all interest-only. A part of it is repayment. And when the interest rate on a repayment mortgage is higher, then far less of the principal is paid off each month. So Mr G won't just pay more each month, on the higher interest rate. Under Mantra's proposal he would also have a higher debt outstanding at the end of the fixed rate period. One of the ways of dealing with this, is to require Mantra to make a lump sum payment upfront. Mr G then has the choice of how he uses this money.

Finally, my provisional decision notes that in recognition of the fact that Mr G has the choice of how to use this money, I have also not awarded compensation in this case. I would have

included compensation here, if I hadn't made such an award. So I don't think it is fair and reasonable for both sides to simply substitute the monthly payment Mantra proposes.

For the above reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Mantra Consultancy and Capital Limited must work out the difference between the monthly mortgage payments Mr G will make for the first 60 months of the mortgage he holds now, as set out above, and the monthly mortgage payments Mr G would have made if he'd secured the same lending but at 5.69%. Mantra Consultancy and Capital Limited must then pay Mr G the difference, as a lump sum.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 May 2024.

Esther Absalom-Gough

Ombudsman