

The complaint

Mr and Mrs K complained that Bank of Scotland trading as Halifax delayed consideration of their application for additional borrowing and a new fixed rate on their mortgage, then refused, and wouldn't let them keep the old fixed rate without the extra borrowing.

What happened

Whilst this complaint is brought by both Mr and Mrs K, as the mortgage is in both their names, our dealings have been with Mr K. So I'll mainly refer to him in this decision.

Mr K told us he and Mrs K applied for two changes to their mortgage, additional borrowing and a new fixed interest rate, together on 6 April. Mr K said their broker uploaded initial documentation, but there was then a considerable delay while Halifax said it couldn't verify his income, and was asking him for the wrong documents. Mr K said this took four weeks to sort out. He said that Halifax then applied a maximum loan to the case, which he said meant Halifax must have used and verified the income from his contract.

Mr K said only then were his bank statements requested. He thought Halifax should have asked for them much earlier. Mr K said that because of this, the case wasn't passed to the processing team for two months. And then, two weeks before his existing mortgage deal ended, Mr K said Halifax refused the extra lending.

Mr K said that he then had to start his application just for a new rate for his existing lending, from scratch. So he was paying a much higher interest rate now.

Mr K said he appreciated that it was up to Halifax who it lent money to, but he thought Halifax should have told him it wouldn't lend him more money in April. If it had said that then, he could have secured a much lower rate for his pre-existing lending. He was paying over 1% more now than the rate he'd first discussed with Halifax. Mr K wanted Halifax either to honour the original rate he'd applied for, or to cover the cost of the extra interest he was paying now.

Halifax didn't think it had done anything wrong. It said Mr K's broker had approached it at the start of 2023, but it only accepts applications for a further advance and new fixed rate together, when customers are within three months of the end date of their current fixed rate. And Mr K's broker had applied before that. So Halifax said it had written to Mr K's broker about this in January and March. It said this rule was also visible on its website for brokers.

Halifax said Mr K's broker then put in an application for him and Mrs K on 6 April 2023. The first application was turned down right away, as it wasn't affordable, and the broker rekeyed the application. There was then a delay while Halifax was waiting for Mr K's income to be verified. Unfortunately, Halifax wasn't then able to validate the income declared on the application, so it said it wouldn't offer Mr and Mrs K any additional lending. They appealed, but that was turned down.

Halifax said it didn't think it had caused any delay in considering Mr and Mrs K's application. It said it took six to seven weeks for the requested documents to be supplied, and it didn't

have everything it needed until 7 June. Halifax said it declined the application five working days later. So it said the delay wasn't on its end.

Halifax also said Mr and Mrs K couldn't keep the rate they'd previously been discussing for their extra borrowing, and just apply that to their existing mortgage now. It said the product switching application they were making was a new application, and Mr and Mrs K needed to pick from the existing rates.

Our investigator didn't think this complaint should be upheld. He said he was looking to see if Halifax had reached its decision fairly, and he thought the evidence suggested Halifax did.

Our investigator said he'd also looked at the timeline, and it didn't look as if the broker had supplied all of the information requested until early June. Then Mr and Mrs K's broker had a discussion with Halifax about what Mr and Mrs K would use the money for. They were planning to pay off some debts. Halifax then considered the application, and rejected it on 14 June. Our investigator didn't think Halifax caused unnecessary delays. He said if all the relevant documentation had been provided earlier then the application may have been declined much sooner. But he couldn't hold Halifax responsible for how long that took.

Our investigator said Halifax had explained Mr and Mrs K needed to start a fresh application. He didn't think that was unfair. And he said no offer had been issued to Mr and Mrs K, so Halifax wasn't obliged to honour the previous rate. Our investigator didn't think Halifax had to do any more.

Mr K disagreed. He said he'd forwarded all the documents in time, and approved the loan on 19 June, but the loan was declined around 29 June.

Our investigator said that wasn't right. The document Mr K had sent us was just a mortgage illustration, which didn't commit Halifax to lend. And Halifax had declined to lend on 14 June, and told Mr K's broker this on 15 June. Mr K's broker then appealed, and this was declined again at the end of June.

Mr K still didn't agree. He said his rate was secured as far back as January. Mr K sent our service a mortgage illustration dated 25 January 2023. But our investigator said that didn't commit Halifax to lend, and he pointed to where it said "*This document does not constitute an obligation for Halifax, a division of Bank of Scotland plc to grant you a loan.*" So he said the mortgage illustration, and the rate discussed in it, weren't binding on Halifax. But Mr K was adamant that this document from January confirmed the rate he then applied for.

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 not propose to uphold it. This is what I said then:

Did Mr K secure a mortgage rate in January 2023?

Mr K said he'd secured a rate in January 2023, and he thought that's the rate he should have been given for his eventual product switch. I can see that Mr K has a mortgage illustration from January 2023, which discussed possible lending at a fixed rate of 4.63%. But that was purely an illustration. Mr K didn't apply for a mortgage then. He wanted to extend his borrowing, as well as apply for a new rate on the lending he

already had. And Halifax won't do that until a borrower is within three months of the end of their existing fixed rate – unless the borrower pays an early repayment charge.

Mr K's existing fixed rate didn't end until 30 June. So he couldn't apply to increase his borrowing and secure a new fixed rate, together, until the start of April 2023.

I can see that Halifax emailed Mr K's broker in January 2023, and then again in March 2023, to tell him that. The application we're dealing with here didn't start until April 2023.

Mr K was then applying for a fixed rate of 4.64%. So the rates hadn't changed much. But the rate Mr K applied for in April 2023, wasn't the one he'd seen in January 2023.

Did Halifax have to apply the April 2023 rate, to the mortgage changes Mr and Mrs K made in July 2023?

We know that the application Mr K made in April wasn't approved. And when Mr K said that if he couldn't have the extra lending, he just wanted to fix his rate for his existing borrowing, Halifax said he couldn't keep the April rate.

I don't think it's unfair or unreasonable, for Halifax to say that if an application for additional lending and for a product switch, made together, were to fail, then an application for a product switch alone would be a different application, and would have to start again. And I note that a change like this will often mean that the loan to value of the previous application won't be the same as the new application. I don't think it's unfair or unreasonable for Halifax to say that Mr K and Mrs K had to choose from its existing rates, when they restarted their application in July 2023.

Did Halifax cause a delay in Mr and Mrs K's April application, because it asked for the wrong documents?

Mr and Mrs K also complained about the length of time it took Halifax to make up its mind about their application for both a product switch and extra lending. They said these delays meant that the subsequent application, just for a product switch, was made later than it should have been, and at a higher rate as a result.

I was aware that Mr and Mrs K's application was initially refused, and then rekeyed. So it did appear that Halifax had little appetite to lend from the outset. And Mr and Mrs K could always have changed their minds then, and just got a new rate for their existing borrowing instead. So I wanted to check that Halifax had made the broker aware of its initial position, so that he'd had the chance to advise Mr and Mrs K before they proceeded with a joint application to fix their existing mortgage and secure new lending.

Halifax has shown our service that it did let the broker know that its initial response to the first application was to decline. The application was rekeyed by the broker, and Halifax then started to reconsider its position.

Mr K said Halifax made a mistake in the documents it asked for, to consider the application, because he's a contractor and he works on a day rate. So Mr K said Halifax shouldn't have been asking for payslips. He didn't have any, and Mr K felt this delayed full consideration of the application.

Halifax has shown us that when the application was rekeyed, Mr K was recorded as in permanent employment. It said the broker may have done this, because Halifax treats those who are working in the way Mr K does, as employees when its considering what lending it will offer. But Halifax said it was reasonable for it to ask for payslips initially,

when it had been told Mr K was employed. And Halifax also said that even if it had asked for documents Mr K didn't actually have, that wasn't all that was outstanding.

I can see that Halifax did ask for proof of income for both applicants on 20 April. On 23 May, it thanked the broker for supplying some documents, and continued to request Mr K's payslips. Halifax wasn't asking the broker for proof of Mrs K's income at this time, so it seems likely that Halifax received this on 23 May.

I'm satisfied that Halifax would also have needed Mrs K's income information to consider this application, so I don't think that the delay between the start of April, when the application was made, and late May, when Halifax was waiting for documentation from Mr and Mrs K, only happened because Halifax had asked for documents Mr K didn't have.

I can see there were other delays, some of which are attributable to Halifax, but others are not. Halifax said the application was made on 6 April, but it didn't receive any documents until 20 April. That delay doesn't appear to me to be Halifax's fault. Halifax accepted it caused a delay in processing the application between 8 and 12 June, when the application was being rebuilt, but it then made a decision within two working days. Although Halifax communicated its decision to the broker on 14 June, the broker didn't appeal until 28 June. That was declined on 30 June, but no further application was submitted until 14 July. These delays are also not Halifax's fault.

Overall, I don't think that I can say the sole reason that this application took so long was because of what Halifax did here. I don't think that it's Halifax's fault that Mr and Mrs K ended up with a rather higher rate on their eventual remortgage.

Did Halifax cause a delay by making Mr and Mrs K complete the April application in full, when it ought to have known from the start it would refuse to lend?

Although Mr and Mrs K say that what went wrong is that Halifax was asking for the wrong documents, their broker complained about something else. I think it's worth dealing with that argument here too.

Mr and Mrs K's broker said that at the very final stage for this application, it was referred up to a different team, for consideration. He said this upward referral happened because of the amount Mr and Mrs K wanted to borrow. It was then declined. But the broker said the requested borrowing was clear from the start. So if the application had been referred up in April, Mr and Mrs K could have been told no then, instead of in mid-June. And their subsequent application just to switch their mortgage would have been on a better interest rate.

Halifax has stressed that its eventual decision to decline wasn't based on information it had held from the start. It had declined to offer additional lending here, because it couldn't validate the income which Mr K had declared at the start of this application. What Halifax has said is that it couldn't see Mr K had earned quite as much per year as his application stated.

Because Halifax's decision was based on information it simply didn't have in April, I don't think that a decision on Mr and Mrs K's application could fairly have been made then. I do think Halifax needed to collect information on Mr and Mrs K's position before it could reach a decision. And I haven't been able to see that the delays in obtaining that information were a result of mistakes that Halifax made. For those reasons, I don't think it's Halifax's fault that this application took so long to resolve. And I haven't been able to see that Halifax's eventual decision not to lend was unreasonable or unfair.

Conclusion

I haven't been able to see that Halifax is responsible for the fact that the application Mr and Mrs K made in April wasn't declined until mid-June. And I don't think Mr and Mrs K had secured a rate for their mortgage, before July 2023. I don't think Halifax had to honour a rate which it had previously discussed with Mr and Mrs K, but never offered them, and I don't think it was unreasonable for Halifax to say that when Mr and Mrs K started a different application in July 2023, they should choose from the rates available then.

For those reasons, although I know that Mr and Mrs K will be disappointed, I don't think this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision.

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.

Halifax said it noted my provisional decision, and had nothing to add. Mr and Mrs K didn't reply.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 5 June 2024.

Esther Absalom-Gough

Ombudsman