

The complaint

Mr and Mrs S complain that London and Country Mortgages Ltd (L&C) delayed their mortgage application. As a result, they said they lost out the interest rate they wanted.

What happened

In July 2022 L&C recommended that Mr and Mrs S should take a mortgage with a lender, N, for £224,000 over 27 years with an interest rate of 3.39% fixed for three years. Mr and Mrs S wanted to repay their existing mortgage and raise additional funds for home improvements. N issued a decision in principle accepting the application that was valid until 21 October.

Between August and September, Mr and Mrs S provided documents that the lender needed to assess their application. On 16 September, N said the maximum it was prepared to lend was £217,500 – but it would need an explanation how Mr and Mrs S could complete their intended works on the lower amount. That information was passed to N on 20 September.

On 28 September, the lender asked for the same information from Mr and Mrs S again. It also asked L&C to complete a “material change” form. That information was supplied to N on 12 October. But it requested the same information again on 17 October. N did not reassess the application until 28 October, by which time the original rate had lapsed.

Between October and January 2023, a new application was explored. But Mr and Mrs S did not proceed. I understand N reduced the amount it was prepared to lend further.

Mr and Mrs S’s mortgage reverted to their lender’s standard variable rate (SVR) in January 2023. They then switched their existing borrowing of £177,150.81 to an interest rate of 4.97% fixed until 31 January 2028. They borrowed an additional £40,000 on an interest rate of 5.97% fixed until 31 January 2028. So their total borrowing was around £217,000.

Mr and Mrs S complain that L&C ought to have known that the original product would expire after 90 days and should have done more to make sure it was secured. And it didn’t give them enough information to understand what had happened.

I issued a provisional decision upholding the complaint in part. My provisional findings, which form part of this decision, were:

There have been delays by both L&C and N during the application:

- *When N asked how Mr and Mrs S would be able to complete their planned works on 16 September, it did not ask for a material change form until 28 September.*
- *L&C did not provide the material change form until 12 October.*
- *N requested information it already had from L&C on 17 October.*
- *Despite having all of the information needed to assess Mr and Mrs S’s application on 12 October, N did not do so until 26 October, by which time the application had lapsed.*

While I accept there were delays by L&C in processing the application, looking at the evidence we have I don't consider they were the reason that Mr and Mrs S missed out on the interest rate they wanted.

I don't consider that I could fairly say that L&C was responsible for Mr and Mrs S missing out on the rate. But it has caused some of the delays and the evidence I have supports that the service it provided was poor at times. Mr and Mrs S said that L&C did not call them back as promised and did not always provide them meaningful updates. That meant they were left in the dark when the product expired.

Further, the evidence I have does not support that L&C properly identified that the product was due to expire on 21 October or that it took adequate steps to make sure that the lender was progressing the application. L&C has accepted that it did not treat Mr and Mrs S fairly once the product expired and there was a two-month delay before it could recommend a new product.

I consider that L&C has not always acted fairly and reasonably – and that has caused some of the distress and inconvenience that Mr and Mrs S suffered as a result of this matter. I accept that it was an exceptionally busy time in the mortgage market because of the impact of the mini budget. But even allowing for that, Mr and Mrs S had a reasonable expectation that their existing application would be progressed and supported by L&C.

Mr and Mrs S have explained that it they suffered a significant amount of stress because of what happened and had to spend a lot of time chasing things up. I don't consider that L&C is primarily responsible for the distress Mr and Mrs S suffered – but it will have contributed to that for a period of three months from around October to end of December 2022. It will also have caused Mr and Mrs S inconvenience in having to pursue things to the extent they did, particularly in the period immediately before and after the rate expired.

L&C has offered Mr and Mrs S £200 for as an apology. Our guidelines say that an award of between £300 and £750 is suitable where the impact of a mistake has caused considerable distress, upset and worry and/or significant inconvenience that needs lot of extra effort to sort out, typically over many weeks or months.

In view of the impact on Mr and Mrs S and the length of time this matter went on for, I consider a payment of £350 would be fair to reflect the distress and inconvenience Mr and Mrs S suffered.

L&C and Mr and Mrs S accepted my provisional decision. But Mr and Mrs S said they'd already received the amount offered by L&C in its final response – £933.87. That was made up of £733.87, reflecting the difference in interest rates for two months and £200 as an apology.

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.

As both sides have accepted my provisional decision, I see no reason to reach a different outcome to what was set out in my provisional decision above.

L&C is only required to pay Mr and Mrs S £350 if they accept my decision. I could not fairly ask it to honour its previous offer as Mr and Mrs S will be compensated for the same loss by the lender. If L&C seeks to recover the amount it has already paid Mr and Mrs S, less the £350 I have awarded, it should give Mr and Mrs S time to receive the compensation from the

lender.

My final decision

My final decision is that London & Country Mortgages Ltd should pay Mr and Mrs S £350 – less any payments already made to them in respect of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 21 June 2024.

Ken Rose
Ombudsman