

The complaint

Mr and Mrs B's complaint is about advice they received from Precise Mortgage Solutions Limited (PMS). They say they were incorrectly advised to apply for a two-year fixed rate mortgage and believe that had they been given alternative mortgage products to choose from, they would have sought a fixed rate mortgage over five years which would have been more beneficial.

What happened

In September 2021 Mr and Mrs B had a mortgage on their home which I shall call FC. There were 3 years remaining on the mortgage. At that time the balance was £137,209 and the interest rate was fixed at £1.59%. If they had chosen to redeem the mortgage prior to 31 January 2024 they would have incurred an Early Repayment Charge (ERC) of £4,116.

Mr and Mrs B were wanting to sell their home and buy another property, which I shall call LR. They submitted a mortgage application to borrow £610,000, but the maximum the mortgage company would lend was £601,375. This meant Mr and Mrs B needed to find additional capital of £8,625.

PMS advised Mr and Mrs B that the best way of purchasing LR would be to 'Port' their existing mortgage on FC over to LR. That, they advised, would avoid triggering the ERC. They advised Mr and Mrs B should then take additional borrowing for the purchase price balance, on a two-year fixed rate of interest at 1.79%. PMS said there would then be an alignment of the expiration date of both fixed rate mortgage products.

Having followed that advice Mr and Mrs B complained that they ought to have been given advice about longer term fixed rate mortgages for the additional borrowing. They specifically point to a query they raised with PMS on the Facebook Messenger platform on 15 October 2021 which was an enquiry about having a fixed rate mortgage for a longer period than two years. Mr and Mrs B feel they were incorrectly advised about the taking the two-year fixed rate mortgage and believe that as a result they have now been left in financial difficulties since the market has moved against them and their monthly mortgage repayments have significantly increased.

In their final response to Mr and Mrs B, PMS said that the recommendation to take a two-year fixed rate on the additional borrowing was appropriate when the advice was given because at that time the rates were competitive, and it avoided having to pay an ERC on their existing mortgage on FC. They said their advice had been set out in a suitability letter dated 19 October 2021 alongside alternatives for repaying their mortgage which Mr and Mrs B had seen.

Mr and Mrs B were unhappy with PMS' final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that PMS hadn't done anything wrong and had dealt with the complaint fairly. Mr and Mrs B didn't agree and asked for the complaint to be passed to an Ombudsman for a 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.

I know the parties have provided a lot more detail than set out in my summary, but I have focussed on what I see as the key issues, because it reflects the nature of our service. We are an informal dispute resolution service and an alternative to taking Court action. So, if I've not mentioned something then this isn't because I've ignored it, it's simply because I don't need to comment on every individual argument to be able to reach what I think is the right outcome. Naturally, I have considered the views of both Mr and Mrs B and PMS, including all the available evidence.

The accepted facts are that Mr and Mrs B approached PMS for mortgage advice and PMS advised them that that in purchasing LR they should port their existing mortgage on FC so as to avoid paying the ERC, and further that they should take out further borrowing for the balance on a two-year fixed rate mortgage. I haven't seen any formal acceptance by PMS as to the accuracy of the discourse on Facebook Messenger on 15 October 2021, but neither have they disputed it. The query raised by Mr and Mrs B at 17.00 hrs was, *'Just a quick one; With all this talk about interest rates going up, is it worth considering 5 years fixed rather than 2?'*

From this query a number of facts can reasonably be found. Mr and Mrs B were concerned about the adverse effect, for them, of interest rates potentially rising. That they had learned, from word of mouth or news/media reports, of the potential of interest rate rises. Mr and Mrs B wanted advice from PMS on whether it might be better for them to have a five-year rather than a two-year fixed rate product.

The answer PMS provided some 18 minutes later was, *'But you need to port your current deal and that only has two years left to run'*. This statement is seemingly based on the premise that it was a requirement that the mortgage on FC had to be ported. I say that because of the use of the phrase, *'you need to port your current deal'* inferring that it must be done. There is no indication from PMS, in this brief answer, that any further consideration would, or could, be given to Mr and Mrs B having a five-year fixed rate mortgage.

Mr and Mrs B's immediate response supports this finding since they said, *'Oh!! Okay let's fix the current hurdle first and then discuss'*. This response indicates that Mr and Mrs B accepted at that point in time that there was no option other than to port their mortgage and that the additional borrowing had to be over two years.

That said, Mr and Mrs B obviously knew that they had a mortgage on FC which if redeemed would result in their having to pay an ERC, since they were advised of that when they took the mortgage out. They knew that they could redeem their mortgage as and when they wanted, subject of course to payment of the ERC. What they did not know was whether they could take out longer term fixed rate mortgage for the balance of the purchase price of LR, since that was the very purpose of their question on 15 October.

It is not entirely clear to me what the reference to *'let's fix the current hurdle first'* means, although I suspect there may have been some anxiety over the application itself. That said I don't think it has any relevance to the issues in this complaint.

I can see that PMS provided a suitability report on the same day and that it is based on a recommendation for a mortgage of £610,000, but an amended report was provided some

four days later following the lender assessing the application and reducing the amount they were prepared to lend by almost £9,000. My inclination is that this was probably the '*hurdle*' mentioned, but irrespective of whether that is right, what is of concern is whether there was any further discussion, as requested by Mr and Mrs B.

The suitability report dated 19 October 2021 does indicate that there had been such a further discussion following the lender stating it would only lend £601,375. The report records that under the subheading '*Current Situation*'. It also records that Mr and Mrs B had decided they were happy to proceed with that reduced sum. Further on in the report, under the heading '*My Recommendation to you*', PMS have recorded that they had discussed with Mr and Mrs B different mortgage repayment methods, the ability to make overpayments, porting the mortgage on FC, the avoidance of the ERC, the lower rate of the FC mortgage, and the alignment of the FC and LR mortgages. Importantly the letter records that '*other rate terms are also available*' immediately after PMS recommendation that a two-year fixed rate would be best for Mr and Mrs B.

Following receipt of this report there is no evidence that Mr and Mrs B pursued the issue of a longer fixed rate term with PMS. Had Mr and Mrs B at that point in time required more advice, been unhappy with the advice received, or wished to discuss the potential for obtaining longer fixed rates, then I would have expected to see some evidence of them chasing matters up or discussing it further with PMS. But the evidence points to Mr and Mrs B having had the discussion they indicated they wanted in their message of 15 October, and having done so, settling on a two-year fixed rate in the knowledge of other rate terms being available.

So, although I agree that Mr and Mrs B were clearly interested in other options other than a two-year fixed rate, the evidence points towards their being advised of other options, but overall, in their circumstances taking a two-year fixed rate was better for them at that time. In the knowledge of how the financial markets reacted after the advice was given to Mr and Mrs B, it is understandable that Mr and Mrs B now wish they had taken out a longer-term fixed rate deal, but that is of course with the benefit of hindsight. I am not persuaded that the advice PMS provided at the time was unfair, or that Mr and Mrs B were not given the correct advice about their options and for these reasons I do not uphold the complaint.

My final decision

For the reasons set out above I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 19 August 2024.

Jonathan Willis
Ombudsman