

The complaint

Mr L complains that Skipton Building Society misled him as to whether it would port his interest rate product. It agreed to port only part of his mortgage loan. Mr L asks that Skipton either refunds all of the ERC and increases the loan, or pays compensation.

What happened

Mr L had two buy to let properties (which I'll refer to as property A and property B). His mortgage on property A had an interest rate product which was due to expire in January 2023. His mortgage on property B had an interest rate product which was due to expire in May 2023.

A broker submitted a mortgage application to Skipton on Mr L's behalf. This was for a mortgage for property A. Skipton issued a mortgage offer in late 2022. This had a product with a fixed interest rate of 3.31% until November 2024.

Mr L was considering selling property A. He contacted Skipton in November 2022 to check he'd be able to port the interest rate product to property B. Mr L was told that this was possible. Mr L re-mortgaged with Skipton in January 2023. He says the sole purpose of this was to do a non-simultaneous port of the product to property B.

Mr L sold property A in February 2023. He paid an early repayment charge, which he expected to be refunded when he ported the product. After the interest rate product for property B expired in May 2023, Mr L asked Skipton to port the product to property B. Skipton initially declined. It then said Mr L could port part of the loan (enough to repay the mortgage on property B but with no additional borrowing).

Mr L says this caused him financial loss of about £2,700. Skipton didn't refund all of the ERC he'd paid. He had less savings and so missed out on interest income. Mr L was buying a residential property with his partner. As they had a smaller deposit, he said they had to borrow more at a higher interest rate. The residential mortgage is with Skipton.

Mr L says Skipton's website is misleading about its lending criteria and it didn't explain the risks involved in taking out a product with the sole aim of porting it. He thinks it made extreme changes to its lending criteria (such as increasing the stress test) and applied its criteria to its own advantage and his loss.

Our investigator said Skipton had treated Mr L fairly. The porting application didn't meet its lending criteria and it didn't make an error or treat Mr L unfairly when it declined to lend the full amount he asked for.

Mr L didn't agree. He said he expected at a minimum that the remaining ERC would be refunded and compensation for having to take out a larger residential mortgage at a higher interest rate.

In summary, Mr L said he made Skipton aware of the purpose of taking out the mortgage (to do a non-simultaneous port) and it should have explained the risks to him. Mr L said Skipton's website was suffering issues at that time, including the affordability calculator. He pointed out Skipton had taken out some wording from its website which he considered

misleading.

Mr L said he couldn't know what Skipton's lending criteria are as it doesn't disclose them, so he couldn't choose a lender with more flexible criteria. Mr L said it wasn't fair to impose new criteria on a non-simultaneous port.

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 L has told us about his family's circumstances. Mr L and his partner have made changes to their employment and accommodation to provide the best care and support to their family. This has included the decisions made by Mr L about his buy to let properties. While I understand Mr L's aims when taking out a new product, what I need to decide here is whether Skipton made an error or treated him unfairly.

Mr L called Skipton in November 2022 before taking out the mortgage on property A. He was told it was possible to port the mortgage product to a property he already owned. The mortgage offer (which Mr L accepted) set out the ERC and when this was payable. It said it was possible to port the mortgage product "subject to a review of your circumstances, the new property, our lending policy at the time...".

Skipton says it declined Mr L's porting application as it didn't meet its lending criteria. It said it failed due to the rental income. Skipton said the rental income for property 2 was not the same as for property 1.

Mr L says property A and property B were near identical, with the rent for property B the same or higher than for property A. That's not consistent with the information given to Skipton.

The application form submitted in 2022 for the mortgage on property A said the rental income was £1,200 per month. The application form submitted in May 2023 for the mortgage on property B said the rental income was £1,150 per month.

Skipton says it has no record of discussions with Mr L or his broker as to whether it would port to a property with a lower rental income. Given that Mr L had thought property B had the same or higher rental value, it seems unlikely he raised this as a possible issue in late 2022. In response to the investigator's view, Mr L said that property A was being rented for £1,000 per month. He believed the real value was £1,200 so he put this in the mortgage application.

Mr L said property B was let at £1,150 (as stated in the application), but its real value was £1,400. He says he increased the rent to this amount after the porting application, and Skipton should have accepted this. I don't think that's fair. I think Skipton was entitled to expect the information in the application form to be correct. I don't think I can fairly find it made an error or acted unfairly when it assessed the application using the information provided by or on behalf of Mr L about the rental value.

I'd also note that, even if the rental value hadn't been an issue, there was a further problem with the loan to value (LTV) ratio. The mortgage offer issued in late 2022 said the maximum available loan relative to the value of the property is 75%. When Mr L made his porting application, the loan he applied for (£208,000) was more than 75% of the stated value of the property (£270,00). Mr L says the loan to value is irrelevant once he passed affordability tests. I can't agree with that. I think the maximum loan to value was set out clearly in the mortgage offer. Mr L was made aware of this before he took out the mortgage.

Mr L says Skipton declined his porting application due to it having made drastic changes to its lending policy between the application in late 2022 and the application in mid-2023. I think it's more likely that Mr L's porting application was declined due to property B having a lower rental income than property A. But in any case, Skipton is entitled to make a commercial decision about its lending criteria, and to make changes from time to time. It doesn't have to publish its lending criteria on its website or otherwise.

While I appreciate Mr L's difficult personal circumstances, I do need to bear in mind that these were buy to let mortgages. Letting property is a business and it's reasonable for Skipton to expect such customers to manage their mortgages accordingly. Also, as Mr L was being advised by a broker, it would be reasonable for Skipton to expect the broker to discuss with Mr L the risks involved with his plan to take out a mortgage with the sole aim of porting it to another property. That included the risk that the porting application wouldn't meet Skipton's lending criteria, including as the result of changes to the lending criteria.

Mr L checked with Skipton that it would port the mortgage to a property he already owned. Skipton told him – correctly – that this was possible. But the mortgage offer said porting was subject to meeting lending criteria at the time, so I think Mr L was made aware of this. I don't think I can fairly find that Mr L was misled that Skipton would port a loan of the same amount to property B despite this being outside its lending criteria.

Skipton agreed to lend Mr L enough to repay the existing mortgage on property 2 and port the product to it. I think this was fair. It meant Mr L retained the interest rate product and most of the ERC was refunded. Skipton didn't agree to additional lending which Mr L wanted to use towards his residential purchase. I understand this impacted Mr L's plans. He had to borrow more when he bought a residential property and this was at a higher interest rate. But I can't fairly require Skipton to pay compensation when I don't think it made an error.

My final decision

My decision is that I do not uphold this complaint.

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

Ruth Stevenson
Ombudsman