

The complaint

Mr and Mrs I complain about Saffron Building Society's handling of their application for a buy-to-let mortgage and in particular that it declined the application but wouldn't tell them why.

What happened

Mr and Mrs I made an application to Saffron for a buy-to-let remortgage in January 2024, through a broker. They say they were clear with Saffron that they didn't want to incur the cost of a valuation until Saffron was satisfied with all other aspects of the application and had completed its other checks.

In March 2024 Saffron had completed its various checks and the valuation was instructed and carried out, at a cost of £600. But Saffron declined Mr and Mrs I's mortgage application soon afterwards, and wouldn't tell Mr and Mrs I or their broker the reasons for its decision. It also wouldn't agree to the valuation report being used in an application to another lender.

Mr and Mrs I said their broker thought either Saffron had changed its policy part-way through their application or it had made a mistake. They made a complaint. They wanted a refund of the valuation fee plus additional compensation.

Saffron said the valuation had been carried out and so the valuation fee wasn't refundable. It also said it hadn't caused delays with Mr and Mrs I's application, it had been in regular contact with their broker, and it hadn't given a guarantee that it would approve the application.

Our Investigator didn't recommend that the complaint should be upheld. He didn't think Mr and Mrs I had lost out because of anything Saffron did wrong, and said it was entitled to decline their application without giving them or their broker its reasons for doing so.

Mr and Mrs I didn't accept that conclusion and, through their broker, asked for an Ombudsman's review. They still considered that Saffron should have told them what its concerns were about granting the mortgage. Had it done so, they could have avoided the need to apply to another lender which declined their application and which told them this was because the property wasn't suitable security, and they could instead have taken steps to rectify the situation.

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.

First of all, Mr and Mrs I's broker has set out what he thinks the Financial Ombudsman Service's job as the regulator is and how we should do that job. It's important to be clear that we're not the regulator – the regulator is the Financial Conduct Authority. The Financial Ombudsman Service is a dispute resolution service. We are also impartial, so I can't act on Mr and Mrs I's behalf. I must make a decision on the facts and circumstances of this

particular complaint, taking account of what both parties and their representatives have said and provided.

Saffron was entitled to decide for itself whether or not it was prepared to grant Mr and Mrs I the mortgage they wanted. There was no obligation on it to lend. It shouldn't, however, simply have declined Mr and Mrs I's application without a good reason. While lenders are entitled to exercise their commercial judgment, they must do so legitimately.

I've carefully considered the information and evidence Saffron has provided to us in order to determine whether it exercised its judgment legitimately and fairly. I'm satisfied that it did. I've seen a copy of its relevant lending criteria from the time of the application, and I can see that the application didn't meet all of those criteria. I also find that Saffron couldn't reasonably have identified that until a late stage. Its decision wasn't, as Mr and Mrs I's broker has suggested, because Mr or Mrs I's name matched someone else's with a different date of birth.

It's unfortunate that by the time Saffron was in a position to identify that the application didn't meet its lending criteria Mr and Mrs I had paid the valuation fee and the valuation had been carried out. But I don't find that that happened as a result of anything Saffron did wrong. And it was clear in the lending illustration how much the valuation fee was and the circumstances in which it was refundable. The fee was not refundable after the valuation had been carried out.

Saffron didn't have to tell Mr and Mrs I or their broker why it declined the application. No mortgage lender has to give reasons for declining an application – especially, as in this case, with an unregulated buy-to-let mortgage. Saffron was also under no obligation to agree to the valuation report being used by another lender, and I don't consider it was unreasonable in not agreeing to that. I also think that Saffron dealt with the application in a reasonable timeframe.

There was never any guarantee that Saffron would lend Mr and Mrs I the mortgage they wanted. It made a commercial decision not to do so. It was entitled to do that. I don't find that it assessed their application unfairly or any differently to how it would have assessed applications from other applicants with similar characteristics, and it was entitled not to tell Mr and Mrs I or their broker why it declined the application.

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 I and Mrs I to accept or reject my decision before 23 October 2024.

Janet Millington
Ombudsman