

## **The complaint**

Mr M's complaint is about the administration of a mortgage application made with the assistance of Mortgage Advice Bureau Limited (MAB) in 2022. He considered that the poor administration and service he received resulted in him not receiving the mortgage offer he should have and the whole process taking much longer than it should have.

## **What happened**

Mr M contacted MAB in January 2022 to discuss his mortgage arrangements. At the time he and his ex-partner had an existing mortgage on the property Mr M was living in. The existing mortgage was already on a variable rate of interest. It appears that they were planning to sell the property to release and divide the equity in it. Mr M then intended to purchase a new property for himself.

MAB's mortgage adviser spoke to Mr M at the end of January 2022, and it was confirmed that, based on his circumstances, Mr M would be able to borrow up to £50,000. However, he was told, assuming salary and dividend payments of £17,000 for the tax year 2021/22, the borrowing could be closer to £65,000. An illustration for a £50,000 mortgage over 22 years was provided.

At the beginning of March 2022 MAB contacted Mr M to see if his plans had moved forward and it could be of further assistance. He responded by explaining that he was having difficulty finding a suitable property, but he was still looking. Just over a week later, Mr M told MAB his plans had changed. He had decided that he would buy his ex-partner out of their home. He confirmed that he would need a mortgage of around £60,000 to do so.

Over the next weeks Mr M emailed MAB on numerous occasions about what his accounts could show for his income and what that would mean for the amount of any new mortgage and the interest rates he could obtain. Mr M raised specific concerns about rising interest rates during these discussions. It was not until the middle of April 2022 that MAB responded.

MAB asked Mr M for various pieces of documentation that a lender would need to accompany a mortgage application. A new mortgage illustration was produced for a mortgage of £65,000 over a term of 22 years, with a five-year fixed interest rate product of 2.47% attached to it. Mr M provided the documents asked for and signed what he was asked to. MAB confirmed on 5 May 2022 that it would be submitting the application that day in order to secure the interest rate product he wanted.

Mr M tried contacting MAB several times over the next ten days without response. He emailed on 16 May 2022 asking about a form he had been told his parents needed to sign regarding funds they were giving him. MAB told Mr M the following day that the lender would need the finalised accounts for the last financial year – 2021/22 – and it asked when they would be available. Mr M confirmed that they had not been produced yet and asked if the application could proceed using the previous year's accounts. MAB confirmed on 19 May 2022 that the lender needed the 2021/22 accounts.

Mr M confirmed later the same day it would be some weeks before the accounts were produced. He provided the previous two years of accounts and asked if the lender would accept them instead. Following several chasers from Mr M, MAB responded on 31 May 2022 to confirm all lenders it had contacted would require the 2021/22 accounts to consider an application. It asked him to confirm when he would have his accounts.

MAB emailed Mr M on 6 June 2022 asking him to confirm that the accounts would be available that week, and told him that if that was the case, it would submit the application. It provided Mr M with a new illustration for a mortgage with the same details and with the same lender as previously, other than the interest rate product was for a five-year fixed rate of 2.89%.

A few days later Mr M started to email about the 2021/22 accounts and what it would be possible for them to show, due to him not having taken some dividends accounted for in the previous year. He wanted to know if accounting for those dividends in the most recent tax year would affect how much he could borrow. MAB confirmed that it would – the borrowing could increase by £3,000 and the amount he would be paying monthly was confirmed. Mr M told MAB to proceed with the higher amount. He also asked whether, when he noted the higher interest rate, if the lender had refused to honour the rate in the first application.

An application was submitted to the lender on 12 June 2022. MAB was told by the lender shortly thereafter it needed the 2021/22 accounts and two months of business bank statements.

The following day MAB emailed Mr M its recommendations report to support the application that had been submitted. This was for a mortgage of £68,000 over a term of 22 years and with a fixed interest rate of 2.89% for five years.

Mr M queried the interest rate again on 13 June 2022 – whether the lender was going to offer the lower interest rate from the first application. MAB didn't respond to this question.

On 12 July 2022 the lender again asked the broker for the full accounts for 2021/22 and business bank statements.

Mr M sent his completed 2021/22 accounts and tax return to MAB on 14 June 2022.

On 20 June 2022 Mr M provided MAB with the additional tax information the lender had asked for – his 2021/22 tax calculations and overview.

On 30 July 2022 Mr M called the lender directly. It told him that the first application it received was on 13 June 2022. It also confirmed what documentation was outstanding. Mr M raised concerns with MAB as he considered his application had been delayed significantly. He asked MAB to investigate and remedy the problems.

MAB called the lender on 2 August 2022 to ask if there was anything outstanding. The lender confirmed there was and what it was. MAB asked Mr M the same day for the business bank statements needed. He provided them later that day and the necessary documents were sent to the lender. The application was accepted two days later and an offer issued. This was for a mortgage of £68,000 over 22 years with a fixed interest rate of 2.89% over five years.

Mr M questioned MAB as to why his application had not been submitted in May 2022 as he had been told it would be. MAB said that it could not submit the application until Mr M had confirmed a date for when the full accounts would be available.

On 10 October 2022 Mr M told MAB that he had decided not to proceed with the mortgage. He explained that this was due to the protracted delays and discrepancies in the mortgage offer.

MAB issued a final response letter to the complaint on 14 October 2022. It said that discussions had begun in June 2022 and the application had been submitted on 12 June 2022 in line with those conversations. It accepted that there had been some delays in the process after the application, and offered Mr M £100 compensation as a goodwill gesture.

Mr M didn't accept MAB's response and pointed out the errors it had made about what had happened. Subsequently Mr M also provided MAB with copies of the emails from early May 2022 in which it was confirmed the application was being made on 5 May 2022. MAB reviewed its response to Mr M and issued a new offer on 16 June 2023. It increased the offer by adding a refund of the broker fee of £149.

In September 2023 Mr M asked us to look at his complaint, as he wasn't satisfied with MAB's responses. He said that he had decided not to go ahead with the mortgage he had been offered as he couldn't afford the monthly payments based on the higher interest rate. He subsequently also confirmed that he had received a lump sum of money from relatives in August 2022, and he had used that money to repay the mortgage shortly thereafter.

The lender Mr M had applied to confirmed to us that in order for his application to progress, whether the application had been received in May or June 2022, it would have required full accounts for the company he was director of for the financial year that had just ended. However, applications remain active for six months, and so the documentation needed could have been provided at any time during that window allowing for time to assess it and the application as a whole.

One of our Investigators considered the complaint and recommended that it be upheld. She was satisfied that MAB made an error in May 2022 in not submitting the mortgage application when it said it would in order to reserve the interest rate product that Mr M wanted. Ultimately, she recommended that MAB increase the compensation payment to £500, along with refunding the broker fee of £149 and the interest Mr M had paid on his mortgage for the period MAB had delayed submitting the application. In addition, the Investigator recommended interest be added to the refunded interest payments.

MAB didn't accept the Investigator's conclusions. It said that given what Mr M ultimately did, it would have made no difference as to whether the mortgage had been applied for in May 2022 or June 2022. As the application could not have proceeded until the 2022 accounts had been provided, he would have remained on SVR throughout that time.

The Investigator considered what had been said, but didn't change her recommendation. She remained persuaded that had the process not been as drawn out the mortgage would have proceeded.

As agreement could not be reached, it was decided that the complaint should be referred to an Ombudsman for consideration.

I issued a provisional decision on 8 August 2024, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

*'The emails from May 2022 make it clear that the adviser knew that to secure the interest rate product Mr M wanted, the application had to be made at that time. Indeed, the mortgage adviser told Mr M that is exactly what he was doing. It is clear that something went wrong, and MAB failed to make the application when it should have. Had this been done, Mr M*

would have had six months from 5 May 2022 to provide the lender with the necessary documentation. He had already provided a lot of what was needed by that point and I can't see that, other than the annual accounts, he wouldn't have been able to provide the other documents in a timely manner. The annual accounts were not available to the broker until 14 July 2022. As such, irrespective of when the application was made, the lender could not have reviewed the application until that point.

However, before I consider what should, reasonably, have happened at that point, I need to consider the change to the application made. In June 2022 Mr M exchanged correspondence with MAB about increasing his borrowing due to the accountant thinking it could increase his income for the previous tax year. While submitting the application in May 2022 would have secured the 2.47% product for Mr M, had he changed the application after that rate had ceased to be available, he would have had to select a new interest rate product. So in June 2022 Mr M would have been faced with the option of borrowing more at a higher interest rate, or remaining with the lower borrowing amount at a lower rate. Mr M was very keen on borrowing as much as possible, but given his chasers about the lower rate after the application, I am not persuaded that he would have sacrificed the lower interest rate product for an additional £3,000 of borrowing, when the original application was more than he needed to be able to buy his ex-partner out of the property.

So when the accounts were submitted in the middle of July 2022, I am satisfied that but for the error made by MAB, Mr M's application would have had the 2.47% product attached to it. The lender had asked MAB for all the additional information it needed before the accounts were available. As such, I am satisfied that had it completed its administration of the application effectively, on 14 July 2022 it would have had all of the documentation available to it to fulfil the lender's requirements to be able to fully assess the application. In light of this, I think it likely that the lender would have made a mortgage offer around two weeks earlier than it actually did, and that offer would have involved the lower interest rate product.

It is not clear whether Mr M would have accepted that offer if it had been made. He has said that he could not accept the offer actually made because of the increase in the monthly payments the higher interest rate caused. However, the difference was less than £30 each month and that was for a higher amount of borrowing. Given that Mr M was hoping to be able to borrow even more money, which would obviously have cost more, I am not persuaded that the increase in the monthly payment was the reason that Mr M didn't accept the mortgage offer he was made. He's told us that he received a lump sum from relatives in August 2022 that enabled him to repay his mortgage in full. It would seem more likely the potential for this money coming through was the reason Mr M didn't immediately accept the offer he was made. Given the mortgage offer he should have received would have only been issued a couple of weeks earlier, I think it is entirely plausible that he would not have accepted that offer either. However, in using the gift he received from relatives, he mitigated most of the loss he would have suffered going forward.

Mr M has said that he was on his existing lender's variable rate of interest for longer than he should have been. Had he gone ahead with the mortgage, he would have been on that higher interest rate for around two weeks longer than he otherwise would have. However, as he didn't go ahead with the new mortgage, and I am not persuaded he would have done even if the offer had been received two weeks earlier with a lower interest rate product, I can't make an award for that loss.

Mr M also said that he has had to pay additional corporation tax because he restructured his company accounts to meet the lending criteria. He's provided no evidence of this and the only mention of corporation tax in his correspondence with MAB was that in order to borrow more he would need to delay paying his corporation tax bill for a period. I am not persuaded that I can uphold this aspect of the complaint.

*Toward the end of our investigation Mr M introduced the concept of a buy-to-let (BTL) property purchase that he had planned and was now impossible due to the actions of MAB. I have carefully reviewed all of the communications with MAB throughout the whole process and the only mention of another mortgage was Mr M saying that his then current partner wanted the same mortgage deal for their purchase as MAB had found for him. In light of this, I can't consider compensation for any plans that MAB was unaware of and could not be factored into its advice.*

*It is clear that MAB's administration of Mr M's application was not what it should have been on many occasions. This clearly caused him a great deal of frustration, to the point where he asked for a different mortgage adviser on one occasion. It also delayed the overall timescale by around two weeks. So some compensation is reasonably due to Mr M.*

*MAB offered to refund the fee for its services and an additional £100. A broker fee is usually payable when a broker has progressed an application to offer stage, which MAB did in this case. However, the service it provided during that process was less than adequate, so I think MAB's decision to refund the fee was appropriate in the circumstances. That said, I don't consider £249 is sufficient compensation in the circumstances and I find that I am minded to require MAB to increase the amount it pays Mr M to £500 in total, including the broker fee refund.'*

MAB confirmed it had no comments to make in response to the provisional decision.

Mr M said that he didn't think I had appreciated how protracted the delays in his application had been. He provided an excerpt of his accounts for 2022/23, which showed he had no operating profit for the year and paid no corporation tax. Mr M said that if £3,000 of turnover that was included in the 2021/22 accounts had been allocated to the following tax year, his business would have paid less corporation tax in 2021/22 and he would have been within his personal allowance if the turnover had been included in his 2022/23 accounts.

He also highlighted that he had provided his accounts to MAB on 14 June 2022 rather than 14 July 2022. As such, he asked whether I would consider whether the compensation I had been minded to award was still proportionate given the additional four weeks of delay.

### **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 have considered the comments and information Mr M has provided us with in relation to the corporation tax situation. Mr M has said approximately £3,000 of turnover that was included in his 2021/22 accounts could have been allocated to the accounts for the following year, and would have been, if he had not been trying to obtain the highest amount of lending possible in 2022. While I have noted what he has said, I am not persuaded to alter my conclusions in this regard. I don't consider that I can find that MAB did anything wrong because Mr M's accounts for 2021/22 included turnover that occurred in that year; that is something that would be expected to happen – income/sales would be expected to be accounted for in the financial year they occurred.

I would apologise to Mr M about the error in the date I recorded as when he provided his tax return and accounts for 2021/22 to MAB; 14 July rather than 14 June 2022. I have considered if this makes any significant changes to my conclusions. Mr M provided the last of the tax documentation that the lender needed on 20 June 2024 – his 2021/2022 tax calculations and tax year overview. Mr M provided the business bank account statements after that date, but as MAB knew they were needed as soon as the application was made, I

am satisfied they would have been made available by the same date. This means the delay caused by MAB was around five weeks rather than two weeks. I don't think that this slight difference in when the mortgage offer would have been made would have made any material difference to what ultimately happened with Mr M's mortgage situation.

Mr M has asked that I consider the compensation I have awarded, in light of the delays being slightly longer. I have carefully considered the matter and given the timescales; I consider £500 compensation remains fair and reasonable in the circumstances.

### **My final decision**

My final decision is that I uphold this complaint. In full and final settlement of the complaint I order Mortgage Advice Bureau Limited to pay Mr M £500 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 20 September 2024.

Derry Baxter  
**Ombudsman**