

The complaint

Mr and Mrs W complain about the way Connells Limited handled their application for a re-mortgage.

What happened

In August 2022, Mr and Mrs W approached a mortgage broker who worked for an appointed representative of Connells. For simplicity I will just refer to Connells in this decision. Mr and Mrs W were worried about rising interest rates and wanted to switch to a new interest rate product before their existing rate was due to end in March 2023. They said the broker advised them to wait for a month to see what happened with interest rates before making any decisions.

On 22 August 2022 Mr and Mrs W asked to book an appointment with the broker to discuss a re-mortgage application. The appointment went ahead on 6 September. The broker advised Mr and Mrs W to re-mortgage to a new lender on a two-year fixed rate of 4.54%, consolidate some unsecured debts, and take out additional borrowing. An application was submitted to the lender.

In November 2022 Connells told Mr and Mrs W that the broker they'd been speaking to was no longer working for them and someone else would pick up the application. In December 2022 the new broker told Mr and Mrs W that they couldn't recommend they continue with the application they'd submitted as they didn't think the advice was suitable. Still concerned about the rise in interest rates, Mr and Mrs W switched rates with their existing lender and took out a two-year fixed rate of 4.76%.

Mr and Mrs W complained. They were unhappy with the service they'd received from Connells and said it had wasted their time. They said they'd now had to take out a higher interest rate on their mortgage as a result of the delays and poor service they'd experienced.

Connells said it could see on its systems that a record was created on 6 September 2022, but no recommendations had been made. It was only when the broker left the business, and the case was reviewed that Mr and Mrs W were told that an appropriate recommendation couldn't be made as the debts they wanted to consolidate were on interest free products. It said that should have been discussed with Mr and Mrs W earlier on in the process and offered £350 for the distress and inconvenience caused. It also said that as Mr and Mrs W were existing lifetime customers, they'd already paid a one-off fee in 2012. But given they were unable to proceed with an application on this occasion it offered to refund a third of the fee paid - which meant a refund of £117. It said the lifetime membership would remain in place should Mr and Mrs W wish to use the service again in future.

After further correspondence between Mr and Mrs W and Connells, Mr and Mrs W brought their complaint to our service.

One of our investigators looked into things, and explained that whilst she agreed Connells had delivered a poor level of service, she felt it had done enough to put things right.

Mr and Mrs W disagreed. In summary, they said:

- Their priority was to switch their interest rate before rates increased further. It would have been helpful to consolidate other debt and take additional borrowing but if that was deemed unsuitable, they would have been happy to go ahead with a rate switch only – as they did themselves in December 2022.
- Not all of their unsecured debts were on interest free products. They were paying interest on some of their debts.
- They were happy to pay the Early Repayment Charge (ERC) they would have incurred to switch the product early, as the benefits would have outweighed that cost.
- Their original plan was to fix for at least five years at a low rate but when they had to act quickly in December 2022 only two-year deals were available and they were at a higher rate.
- They estimate Connells' poor service has resulted in a financial loss of around £2,580. That's without including any payment for the stress caused and wasted time.

Mr and Mrs W asked for the complaint to be passed to an Ombudsman.

My provisional decision

I issued a provisional decision which said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's not in dispute here that Connells failed to handle Mr and Mrs W's request for mortgage advice as it should have done. Mr and Mrs W approached Connells for advice in August 2022, it had submitted a mortgage application for them in September, and then in December 2022 it told them it couldn't proceed with the application as the advice it had given them was unsuitable.

What I need to decide is whether Mr and Mrs W suffered any financial loss as a result of Connells' poor service, and whether £350 is a fair amount of compensation to reflect the distress and inconvenience caused. To do this I've thought about what I think is most likely to have happened had Connells treated Mr and Mrs W fairly and reasonably when they approached it for mortgage advice.

Based on what Mr and Mrs W have told us, and the evidence I've seen from their interactions with Connells and its advisers, I'm persuaded that Mr and Mrs W approached Connells in August 2022 as they were concerned about interest rate rises and didn't want to wait until their existing rate was due to end in March 2023 to secure a new rate. They were clearly aware that meant they would incur an ERC to redeem their existing mortgage early, but they thought the benefits of securing a lower rate in August compared to how much higher the rates might be in March 2023, would outweigh the cost of that ERC – which was around £1,300. Mr and Mrs W have said that Connells told them to wait and see what happened to interest rates generally before applying to re-mortgage. I think that's plausible. I say that because the emails exchanged later in August 2022 are clearly following earlier conversations, and it's clear Mr and Mrs W were keen to get an appointment booked in to discuss their options. They emailed Connells on 22 August asking for an appointment, and one was arranged for 6 September. That's when Connells advised Mr and Mrs W to re-mortgage, consolidate their debts, and take additional borrowing. And Mr and Mrs W agreed to submit an application for a new rate which would have meant incurring an ERC with their existing lender. The application was submitted.

I agree with Connells that the advice it gave Mr and Mrs W in September 2022 wasn't suitable. The proposed re-mortgage was to include an amount for debt consolidation – some of that existing debt was charging 0% interest which still had some time to run. Mr and Mrs W wanted to secure a new interest rate product quickly, and have told us their priority was to re-mortgage for that purpose. They didn't have an urgent need to consolidate their debts or take out additional borrowing. I think Connells ought to have advised Mr and Mrs W to do a rate switch based on their existing borrowing if it was cost effective to do so considering they were going to incur an ERC.

If Connells had given suitable advice, Mr and Mrs W would have been able to switch their interest rate earlier than they did in December 2022. Rates had increased since they had started looking at re-mortgaging in August 2022. So they feel they lost out on securing a lower interest rate as a result of Connells' actions.

I agree with them. I think if Mr and Mrs W had been advised to switch mortgage products in August 2022 when they asked Connells for advice, they would have been able to secure a lower interest rate product than the one they're now on. So I'm satisfied Connells should do more than it's offered to put things right.

Mr and Mrs W have switched to a new rate with their existing lender. I've looked at the rates that would have been available to them at the time they approached Connells in August 2022. The cheapest two-year fixed rate product was 3.85%. That is cheaper than the product Connells advised Mr and Mrs W to take with a new lender. As switching to the cheapest rate possible was Mr and Mrs W's priority, I think Connells ought to have advised Mr and Mrs W to switch their product to 3.85% with their existing lender.

Mr and Mrs W have said they wanted a five-year fixed rate. Whilst I appreciate what they say – the evidence from their interactions with Connells suggests that they were happy with a two-year fixed rate. I say that because that's what Connells applied for on their behalf, and Mr and Mrs W wanted that application to go through and were disappointed when Connells told them it wouldn't pursue the application for them. If Mr and Mrs W are able to provide any contemporaneous evidence from the time they discussed their needs and preferences with Connells which showed they wanted a five-year rate, I invite them to send that to our service. But in the absence of any further evidence, I'm persuaded Mr and Mrs W wanted a two-year rate at the time, although I appreciate that's since changed.

If Mr and Mrs W had switched to a two-year rate of 3.85% in August 2022, they would have incurred an ERC of around £1,300. Mr and Mrs W didn't pay an ERC when they switched in December 2022 as the switch took place within three months of their existing product ending (which was their lender's policy at the time), so the loss suffered isn't as straightforward as calculating the difference Mr and Mrs W will have to pay between their current rate and the one they should have been on. The ERC will have to be factored in as well. Based on the application Mr and Mrs W made in September 2022, I think it's likely they would have chosen to add the ERC onto the mortgage balance as that is what they did during the initial application.

I've calculated the additional interest Mr and Mrs W will likely have to pay as a result of the mis-advice they received from Connells. If Mr and Mrs W had taken out the two year fixed interest rate of 3.85% in August 2022, and added the ERC to the mortgage, they would have had a fixed rate in place until 31 October 2024. Whereas Mr and Mrs W will have avoided the ERC by switching later, and would have paid less interest on the mortgage until they switched in December 2022 than they would have done if they'd switched earlier. But as the rate was higher, I've calculated that up until 31 October 2024 Mr and Mrs W will have paid around £875 more interest on their mortgage than they would have done if they'd applied to switch in August. Therefore, I'm satisfied they've incurred a financial loss of around £875. I'm

satisfied Connells is responsible for that loss and should pay that amount to Mr and Mrs W.

I'm satisfied Connells' offer to refund one third of their lifetime broker fee is reasonable. Mr and Mrs W have successfully benefitted from their service before in return for the fee paid in 2012 and so I don't think it would be reasonable to direct Connells to refund the whole fee. Connells should refund £117.

Having considered everything that's happened, I'm not satisfied the £350 offered by Connells to compensate for the distress and inconvenience it's caused is an adequate reflection of the impact its actions had on Mr and Mrs W. Mr and Mrs W had to provide a lot of information and evidence in support of the application that shouldn't have been required, they constantly had to chase Connells for updates on the progress of their application, and then once they had been assigned a new broker, they were asked to provide all the information they'd already given again as it hadn't been recorded on Connells' systems. Only to be told that the application couldn't go ahead in the end. During this period interest rates were rising, and Mr and Mrs W were becoming increasingly anxious about what that would mean for their mortgage. In December 2022 they were left in the position where they had to quickly take action themselves in order to mitigate the losses incurred as a result of Connells' poor service. As a result I'm persuaded that Connells should increase its payment for the distress and inconvenience caused to £500.

In summary, subject to further submissions made by either party, I currently intend to decide that Connells should pay Mr and Mrs W the following to put things right:

- £875 for the financial loss suffered.
- £117 as a partial refund of the broker fee paid.
- £500 for the distress and inconvenience caused."

Connells hasn't provided any submissions in response to my provisional decision.

Mr and Mrs W said they did initially request a five year fixed rate, but appreciated they didn't have any supporting evidence to show that's what was discussed. They said they were happy to accept the decision so they could move on.

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 Connells hasn't provided any further submissions, and Mr and Mrs W have accepted my provisional decision, I see no reason to depart from my findings as set out above.

As such, for the reasons I set out in my provisional decision – which I adopt in this decision, I uphold this complaint and will instruct Connells to put things right as set out below.

Putting things right

Connells should pay Mr and Mrs W the following to put things right:

- £875 for the financial loss suffered.
- £117 as a partial refund of the broker fee paid.
- £500 for the distress and inconvenience caused.

My final decision

Considering everything, for the reasons I've explained, I uphold this complaint and instruct Connells Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 7 November 2024.

Kathryn Billings
Ombudsman