

The complaint

Mr M and Mrs R complain about how C I B B Financial Services LLP (trading as Mortgage First) handled their application for an interest rate switch on their mortgage.

What happened

In 2019 Mr M and Mrs R used Mortgage First to help source them a mortgage with a lender who I'll refer to as "B". They borrowed around £154,000 on a fixed interest rate of 2.17% until 30 April 2024, after which the mortgage would revert to a variable interest rate that tracked 3.49% above the Bank of England base rate.

In December 2022 Mr M and Mrs R applied directly to B for further borrowing. They borrowed around £36,000 on a variable interest rate that tracked 0.95% above the Bank of England base rate until 31 December 2024, after which the mortgage would revert to a variable interest rate that tracked 3.49% above the Bank of England base rate.

Part 1 of the mortgage – relating to the initial borrowing would attract an early repayment charge (ERC) of 3% on any part of the borrowing that is repaid before 30 April 2024.

Part 2 of the mortgage – relating to the additional borrowing would attract an ERC of 1% on any part of the borrowing that is repaid before 31 December 2024. That said, it came with what B refers to as a "Switch and fix" feature, meaning that at any time, Mr M and Mrs R could switch from this tracker deal to any fixed or capped rate product with B (subject to application and any potential fees).

In advance of their fixed interest rate ending on Part 1 of their mortgage, in November 2023 Mortgage First sourced Mr M and Mrs R a new interest rate deal of 5.12% with B, fixed until 31 December 2025. The product came with a £999 product fee that Mr M and Mrs R chose to have added to their loan.

Mr M and Mrs R say that they told Mortgage First that their intention was to align both their mortgage accounts – so the new interest rate was to take effect from 1 May 2024 on both parts. They also say that it was their intention to retain a deferral period so they could review interest rates during that time and reapply for a lower interest rate should one become available. In addition, they said that they wanted to keep their options open as they were possibly considering moving homes and changing mortgage provider.

In February 2024 Mr M and Mrs R contacted B directly to request an amendment to their rate switch application. They wanted to select a different product.

B said that the rate switch on Part 1 of the mortgage was due to take effect from 1 May 2024 – so it was possible to amend the rate switch application. But it said that the rate switch on Part 2 had already taken effect from 24 November 2023, so it was not possible to alter the terms of Part 2 without incurring an ERC.

Mr M and Mrs R secured a one-year fixed interest rate deal on Part 1 of their mortgage at 4.90% to commence from 1 May 2024, fixed until 31 March 2025. But they were unhappy

that the rate switch on Part 2 took place ahead of time without their knowledge or consent.

The £999 product fee that came with the interest rate deal of 5.12% was reversed on Part 1 of the mortgage as the new deal that Mr M and Mrs R selected didn't come with a product fee. But because Part 2 of their mortgage had already reverted to this deal, a £999 fee applied and was added to this part of their mortgage.

Mr M and Mrs R complained to Mortgage First about this. Mortgage First didn't uphold the complaint. It said that it wasn't aware of Part 2 of the mortgage – as this borrowing was taken directly with B and so it did not give any advice on the product held. It said that the nature of the product likely meant that any new rate switch application would take effect immediately. Mortgage First said that the terms of the rate switch were set out in B's mortgage offer dated 25 November 2023 – so Mr M and Mrs R ought to have known about the changes to their mortgage at the time of the rate switch.

Unhappy with Mortgage First's response, Mr M and Mrs R asked our service to look into what happened. An investigator considered the complaint and recommended that it be upheld. He concluded that Mortgage First was aware of the two sub accounts before submitting the rate switch application and it had been notified by B of the intended rate switch dates on both sub accounts. The investigator concluded that Mortgage First should have intervened sooner when it noticed the mistake and put things right.

Our investigator went on to say that as a result of Mortgage First's mistake, Mr M and Mrs R lost out on the opportunity of securing a lower interest rate on Part 2 of their mortgage and being able to align their mortgage accounts as intended.

He said that to put things right, Mortgage First should refund Mr M and Mrs R the difference in overpayments made on Part 2 for the period that the new interest rate was applied prematurely. And it should compensate them with a goodwill payment of £100. He went on to explain why he can't reasonably hold Mortgage First responsible for the other impact described by Mr M and Mrs R – specifically with regard to how this impacted their intention to move home.

Mortgage First responded to say that the tracker rate Mr M and Mrs R were on prior to the rate switch in November 2023 was higher than the new fixed rate – so there has been no direct financial loss as their new monthly payments were now less. Mr M and Mrs R submitted an application for an interest rate of 5.12%. Their current variable rate tracked 0.95% above the Bank of England base rate, which at the time was 5.25% - making their interest rate at the time 6.2%.

Based on this, the investigator further concluded that Mortgage First only needed to pay Mr M and Mrs R £100 compensation to settle the complaint.

Mr M and Mrs R didn't agree and asked for their case to be decided by an Ombudsman.

I issued a provisional decision, in which I said:

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

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Where the evidence is incomplete or inconclusive, as some of it is here, I reach my decision on the balance of probabilities – that is, what I consider is more likely to have happened, in light of the evidence that is available and the wider surrounding circumstances. That's broadly the same test that the courts use in civil cases.

It's also important to note that there was more than one party involved in this rate switch application process. In my decision I will only be commenting on the actions of Mortgage First as the respondent to this complaint. I've issued a separate decision against B to address its involvement in the rate switch application process.

Mr M and Mrs R say that they made it clear during their call with Mortgage First what their intentions were regarding switching the interest rate on both parts of their mortgage. Mortgage First disputes this and says that it had no involvement in originally arranging Part 2 of the mortgage and it had no information about the separate sub account at the time of the rate switch application.

In this case, Mortgage First was acting as the intermediary for the rate switch application in question. Under the relevant mortgage regulations, before making a personal recommendation firms must first assess the needs and circumstances of the customer to ensure the suitability of any recommendation made.

In addition, the rules specify that firms must retain a record of the suitability assessment carried out and the recommendation letter – for a minimum of at least three years from the date on which the personal recommendation was made.

Mortgage First has provided our service with limited information from the time of the recommendation. It says that its calls aren't recorded, and it hasn't provided our service with a copy of the suitability assessment and the recommendation letter. In the absence of this information, it's not possible for me to know for certain what was discussed during the rate switch enquiry and recommendation. It's in these circumstances that I need to consider what I think is most likely to have happened in the circumstances.

To assist with our investigation and to help build a picture of what is likely to have happened at the time of the application, our service has asked B to provide any information it has from around that time.

B has provided a copy of the rate switch application submitted to it by Mortgage First on 24 November 2023. On this application, details of both mortgage accounts are noted, and the total balance included in the application consisted of Part 1 and Part 2 combined.

So, considering that Mortgage First submitted an application to B that referred to both parts of the mortgage, I'm persuaded that contrary to what it says, it did know about Part 2 of the mortgage and both parts were included as part of the application.

That said, I can also see that a completion date of 1 May 2024 was requested. So based on what I've seen, it appears that Mortgage First did specify a completion date of 1 May 2024 in line with Mr M and Mrs R's requirements. This is in line with section 6 of B's mortgage offer that says "You will have specified a preferred start date when you submitted your application". So, it is clear that B does require applicants to state a preferred completion date and that Mortgage First did specify Mr M and Mrs R's preferred start date for both parts of their mortgage on the application it submitted.

It's unclear what exactly caused the rate switch to not take effect on the intended completion date of 1 May 2024. As I've explained, in this decision I'm only able to

comment on the actions of Mortgage First. Any possible issue that may have occurred as a result of B's actions falls outside of the scope of this decision.

Having considered everything, I'm persuaded that Mortgage First did provide B with instruction that completion of the rate switch on both parts of the mortgage was set for 1 May 2024. And so, I can't reasonably hold it responsible for the rate switch not taking place as intended.

That said, I do think Mortgage First could have done more to put things right once it became aware the mistake had occurred. I'll explain why.

Following the application, B issued a mortgage offer on 25 November 2023, and I can see that it subsequently sent an email to Mortgage Direct on 28 November 2023 to confirm receipt of the application and confirming the changes as follows:

"Thank you for the recent rate switch application...the rate switch has been applied on the requested account with effect from 24/11/2023 for (Part 2) and 01/05/2024 for (Part 1). Please find the above attachment for rate switch offer letter"

It also appears that a copy of the offer letter was sent directly to Mr M and Mrs R setting out the changes to take effect to their mortgage – although they say they never received this.

Having carefully considered the contents of the mortgage offer, I think even if Mr M and Mrs R had received a copy, it wouldn't be clear to them from this document that the rate switch had not taken place in the way they'd intended. I say this because the offer document doesn't make the rate switch completion date clear.

But I think that when Mortgage First received the email from B on 28 November 2023 clearly setting out that the rate switch on Part 2 had already taken effect contrary to the instruction given – this ought to have given Mortgage First cause for concern.

In line with B's information document titled "Your rate switch information", a copy of which has been provided to our service by Mortgage First, B's policy states that Mr M and Mrs R had a cooling off period of seven days from the date of the offer to report any inaccuracies in the mortgage offer or to cancel the rate switch application.

I think it's fair to say that Mortgage First ought to have realised the rate switch had not taken place in the intended way when it received the email and offer from B. And it was still within the cooling off period to question this on behalf of its clients. Albeit this was tight as the mortgage offer was issued on 25 November 2023 and the email confirming the rate switch was received from B on 28 November 2023 – so that only left a further four days for Mortgage First to query the error in time. It's not clear if whether in the circumstances B would have honoured an amendment to the offer after the cooling off period had ended.

Because Mortgage First didn't query the incorrect start date for Part 2 of the mortgage, Mr M and Mrs R say they only became aware of the issue in February 2024, when they called B to request an amendment to their perceived pending rate switch application. By this point it was too late for them to make any changes to Part 2 without incurring an ERC.

Mortgage First argues that Mr M and Mrs R were sent enough information to know sooner that the rate switch had taken effect – including a copy of the offer letter, the rate switch letter and new payment details letter. I've already explained why I don't think the

offer letter on its own would have alerted Mr M and Mrs R to the issue in question. And all the subsequent letters referred to were sent to Mr M and Mrs R after the cooling off period had ended. So, I don't think it's enough to say that Mr M and Mrs R ought reasonably to have been aware of the issue sooner and that they were in a position to take action to mitigate their loss in time.

Putting things right

For the reasons I've explained, I can't reasonably hold Mortgage First responsible for the rate switch not happening in the intended way. This is because I'm persuaded that Mortgage First gave B the correct instruction that completion of the rate switch (for both parts of the mortgage) was to happen on 1 May 2024. And so for this reason, I can't expect Mortgage First to compensate Mr M and Mrs R for all the financial loss they've described.

That said, I do think Mortgage First could have done more to try and put things right when Mr M and Mrs R asked for help. Mortgage First ought to have access to copies of its point- of-sale documentation to review the recommendation given and the application submitted – to understand what was discussed at the time and the instruction given to B. Instead, Mr M and Mrs R have been caused several months of inconvenience in having to pursue their complaint to this extent. Overall, I consider an award of £250 to recognise the distress and inconvenience caused by Mortgage First's actions to be reasonable and in line with this service's guidelines on such compensation.

My provisional decision

My provisional decision is that I uphold Mr M and Mrs R's complaint against C I B B Financial Services LLP trading as Mortgage First and I direct it to put things right as set out above."

Both parties responded to my provisional decision. Mr M and Mrs R responded to say that they agreed with my provisional findings. Mortgage First said that it didn't agree with the recommended award.

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 note that neither party has made any new arguments, or provided any new evidence, that I've not already considered when reaching my provisional decision. So, I see no reason to depart from what I provisionally decided.

My final decision

My final decision is that I uphold Mr M and Mrs R's complaint against C I B B Financial Services LLP trading as Mortgage First.

To put things right, I direct C I B B Financial Services LLP trading as Mortgage First to pay Mr M and Mrs R £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs R to accept or reject my decision before 8 January 2025.

Arazu Eid
Ombudsman