

The complaint

Miss S complains that when she asked her mortgage lender, Belmont Green Finance Limited trading as Vida Homeloans ("Vida") for permission to let out her home, Vida first agreed, then changed its mind some months later, so she had to pay wasted costs.

What happened

Miss S's home is mortgaged with Vida. She said she'd had difficulty paying her mortgage since she fell ill and was unable to work. She had hoped to let out her home, to pay the mortgage. Miss S knew she'd need Vida's permission for that. She said on 31 August 2023, she spoke to Vida, paid a requested fee, and an agent told her she had permission to let out her home. But she said four months later, Vida said she didn't have permission after all, and it wouldn't agree to her renting out the property because she has arrears on her mortgage.

Vida paid back the £100 fee she'd paid it, but by this time Miss S told us she had made arrangements to let the property, had found tenants, and had arranged her own move. She said on 6 October, she made a formal complaint to Vida, and she said Vida then threatened her that if she didn't cancel all these arrangements, she would be in breach of her mortgage conditions and Vida would take legal action against her. She said Vida had since offered her £230 to close her complaint. She wanted us to look into things.

Miss S told us she'd incurred about £3,000 of costs through her failed plans to rent out the house, and was still no further on with any plan to cover the mortgage. Miss S said she wanted another mortgage company to manage her property moving forward.

Vida accepted it had made a mistake on 31 August, when it told Miss S that she did have its agreement to rent out her property. Vida said it was sorry for this. It understood after this she had made arrangements to rent out the property. So Vida said it would consider paying any costs Miss S had incurred if Miss S showed Vida evidence of those.

Vida said it did think it had reached the right decision in the end, when it told Miss S it wouldn't let her rent out this property after all. Vida said Miss S's mortgage was already in arrears, and her predicted rental income was less than 125% of her mortgage payments each month.

Our investigator didn't think this complaint should be upheld. I won't set out her reasoning here, as I've set out my own views in full below.

Miss S didn't agree, she still thought Vida should pay the costs she'd incurred when planning to let out her property. Because no agreement was reached, this case came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

Firstly, I should address Vida's eventual decision not to allow Miss S to rent out her property, and explain why I do think that was a reasonable decision for Vida to reach. I understand the rental income from the property would not reach Vida's required level of 125% of mortgage costs. I do think it's reasonable for Vida to say that any rental income should be sufficient to cover the mortgage, and also to allow for the costs of managing and maintaining the rented property. So I don't think Vida had to agree to Miss S's proposal.

But I've listened to the call Miss S had with Vida, and I understand why she thought Vida had approved her request for permission to rent out her property. Miss S told us she'd incurred significant costs because of this, before Vida changed its mind. Miss S also told us there were four months before Vida corrected its error.

I wrote to Miss S about her complaint, and said it seemed that the confusion had arisen on a call on 31 August, and the mistake was then corrected on 6 October. So this looked like just over a month before Vida corrected its mistake, not four months.

I also asked if Miss S could show us evidence of the costs she had incurred in this time.

Miss S had said she wanted our service to instruct a different firm to manage her mortgage, but I said that wasn't something our service is able to do.

Miss S replied to say that she had been planning to make up the shortfall for her mortgage with family contributions, and plans to start her own business. She said she'd come to a verbal agreement with Vida to pay £1,800 per month, which would start to clear her arrears.

Miss S said she would have difficulty finding receipts for the costs she'd incurred getting her property ready to rent out. She offered to provide a spreadsheet of costs incurred instead. Miss S also wanted to know why I couldn't assign her mortgage to a different company. If I couldn't do that, she wanted me to get Vida to renegotiate the arrears she's required to repay. She said what she was paying would put her in extreme financial difficulties.

I then replied to Miss S, saying that my powers are limited to requiring the payment of compensation by Vida, or issuing directions to Vida. And these powers can only be used for a complaint which the business has first been given the opportunity to consider and respond to. So here, I can look at what happened when Miss S was given to understand that Vida had approved her request to rent out her property, then told it had not approved this. I couldn't add into this any further issues Miss S is experiencing now, such as the repayments she's since agreed with Vida.

I also said that if Miss S did want our service to consider any costs she had incurred because of what Vida did, then it would be helpful to see evidence of those. And I suggested other ways Miss S might provide that evidence, if she no longer has receipts. I explained that it would be difficult for me to say it was fair and reasonable to ask Vida to cover costs, if I hadn't seen that they were paid.

At first, Miss S said she wanted us to go ahead with consideration of her complaint without receipts. She said then that she was now in an agreement with Vida to pay £1,800 per month, and was happy with that. She still wanted compensation, to reflect her overall experience. But then Miss S said she'd received some help to collate receipts, and sent our service proof of some costs she'd incurred.

I have considered that evidence, and I'll look at each of the documents below.

We know Vida told Miss S on 6 October that it had made a mistake, and she didn't have permission to rent out her property. So the mistake Vida made was corrected then, and Miss S knew on 6 October Vida hadn't agreed to her letting out her property, after all.

Not all the costs Miss S has shown us, were clearly incurred before Vida corrected its mistake. Miss S said that some items on the invoices were dated a few weeks after she was notified by Vida that it couldn't agree to the rental of her property. But she said these items were booked and then invoiced at a later stage.

I understand Miss S may have spent money she would not otherwise have spent, just so she could rent out her property. If she incurred costs after Vida gave her to understand it had agreed to her renting out the property, and before Vida corrected this mistake, then I do think I should consider asking Vida to pay those costs. But if a cost was incurred after Vida had told Miss S that it couldn't agree to the rental of her property, then it would be difficult for me to say it is fair and reasonable to ask Vida to pay that.

I can see that a number of the items Miss S wants me to ask Vida to pay for, have an order date which is after Vida corrected its mistake. I think that means I cannot fairly and reasonably ask Vida to pay the following costs –

- Invoice – ventilation grille - £6.94 – order date 9 November 2023.
- Invoice – DIY tools - £7.99 – order date 5 November 2023.
- Invoice – drywall patches - £6.99 – order date 4 November 2023.
- Invoice – roller tray - £5.95 – order date 9 November 2023.
- Invoice – paint brush - £9.99 – order date 9 November 2023.
- Invoice – radiator spray paint - £16.49 – order date 4 November 2023
- Invoice – smoke alarm - £19.37 – order date 17 October 2023
- Invoice – replacement bulbs - £27.16 - order date 9 October 2023
- Invoice – oven cleaning kit - £8.35 - order date 9 October 2023

There are then two further costs, which relate to repair work done on Miss S's home. These documents are both dated in December 2023. They don't include a date that the work was done. However, both the invoice and the receipt for payment that Miss S has shown us, are dated around two months after Vida corrected its mistake.

I understand Miss S says this work was done earlier, but I don't think it's most likely that this work on her home was done before 6 October 2023, and the businesses involved waited over two months to request payment. So I don't think I can say it's most likely that these costs were incurred before Vida corrected its mistake. And that, in turn, means I cannot fairly and reasonably ask Vida to cover these costs –

- Invoice – electrical maintenance - £180 – invoice date 6 December 2023.
- Receipt – unspecified boiler work - £1,560 – payment date 11 December 2023.

There are then two further items, which were clearly purchases by Miss S after Vida gave her to understand it would agree to her renting out her property, and before it corrected its mistake. These are both for packing materials purchased by Miss S. I think it's very likely that Miss S wouldn't have incurred these two costs if Vida hadn't made this mistake, so I think it is fair and reasonable to ask Vida to pay for these –

- Receipt – packing boxes - £210.58 – dated 20 September 2023
- Invoice – A2 cardboard sheets - £19.99 - order date 15 September

So I will ask Vida to pay Miss S £230.57 in respect of packing materials she purchased.

I also need to think about the compensation offer that Vida has made. Although the mistake was corrected much faster than Miss S initially suggested, I do think it's likely Vida's mistake still caused Miss S considerable inconvenience, and some distress. Even if she hadn't got very far along with her plans to move and rent out her property by the time Vida corrected its mistake, she still thought she had a potential solution to her mortgage arrears, and then was told she did not.

I don't think a refund of £100 for consideration of her letting request, plus a payment of £230 in compensation, adequately reflects the impact this is likely to have had on Miss S. I think Vida should pay compensation of £500 in total. Vida can count towards that amount the offer of £230 that it made, if it has already paid that sum. But Vida cannot count towards that amount, the refund of the £100 consideration of consent to let fee that it has already made, or the payment of £230.57 I've asked it to make to cover the cost of packing materials that Miss S purchased.

My provisional decision, is that the two payments set out below would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision.

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.

Vida replied to say it hadn't yet paid the amount of £230 which it previously offered, but it would now pay the amount I'd suggested. It also said that it hadn't entered into a formal arrangement with Miss S, but it was holding any further action until this complaint was resolved, and would then speak further with Miss S about the mortgage.

Miss S hasn't replied.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Belmont Green Finance Limited trading as Vida Homeloans must pay Miss S £230.57 to cover the cost of packing materials that Miss S purchased, and also to pay Miss S compensation of £500 in total. Belmont Green Finance Limited trading as Vida Homeloans can count, towards the payment of compensation only, the offer of £230 that it made, if it has already paid that sum.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 17 October 2024.

Esther Absalom-Gough

Ombudsman