

The complaint

Mr and Mrs C complain they were led to believe they would get a lower rate than they were able to obtain on the lifetime mortgage they applied for with Legal & General Home Finance Limited (L&G). They want L&G to honour the lower rate.

What happened

Mr and Mrs C were looking to move house and take a Retirement Interest Only mortgage to help them purchase the new property. They spoke with an independent mortgage broker who they asked to help them arrange the new mortgage.

The broker provided them with advice to apply for a mortgage with L&G at a rate of 5.99%. The broker submitted an application for a decision in principle for this rate in April 2023. A few days later, the broker generated a new illustration for Mr and Mrs C for a mortgage with a rate of 3.39%.

Later on that month, the broker tried to convert the illustration to a full application but were unable to as L&G's system wouldn't allow it to proceed. On 27 April 2023, the broker contacted L&G and was told that the rate they were trying to apply for was a historic rate which was no longer available. L&G said an error with its system had allowed the broker to select this rate and the correct rate was 5.99%.

On 19 May 2023, L&G corrected its system and asked the broker if Mr and Mrs C wanted to proceed with the rate of 5.99%. The broker confirmed they did wish to proceed. An offer was produced, and the mortgage completed.

Mr and Mrs C, with the help of their broker, complained to L&G. They said that these delays with L&G's system almost meant they lost the property. And the location of that property was very important to them. They said this caused a lot of stress. They also complained they were now paying a much higher rate than they thought they should be paying.

L&G explained that the lower rate of 3.39% was never available to them. But it did accept the mistake had led Mr and Mrs C to believe they'd be able to get a lower rate than they could. L&G offered £150 compensation for this mistake.

Unhappy with this response, Mr and Mrs C referred their complaint to our Service. They said they could've gone elsewhere to obtain a lower rate had they realised that the 3.39% rate wasn't available to them. One of our Investigators looked into the complaint, but he didn't think it should be upheld. He said that the rate of 3.39% was never available, and Mr and Mrs C were never in a position to actually apply for that rate. He said he couldn't safely say that Mr and Mrs C would've been able to obtain a lower rate elsewhere. Ultimately, our Investigator thought that the offer of £150 was fair and reasonable in the circumstances.

Mr and Mrs C didn't accept this. They said by the time L&G had confirmed the correct interest rate, they felt they had to proceed with the application given the time constraints, so weren't able to apply to another lender. Mr and Mrs C asked for the complaint to be reviewed

by an Ombudsman. So it's been passed to me to consider and make a 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.

It's accepted by all parties that Mr and Mrs C's broker was able to produce an illustration for a rate that was never available to them due to an error with L&G's systems. Mr and Mrs C think that L&G should honour this rate, but I don't agree.

The initial rate that their broker recommended, and Mr and Mrs C accepted, was the rate of 5.99%. It wasn't until a few days later that their broker told them it had been able to apply for a lower rate. Whilst there were a few weeks between L&G correcting this, it remains the case that this lower rate was never available. So, the only option for Mr and Mrs C to proceed with the L&G mortgage was to accept the original rate of 5.99%, which they did.

Mr and Mrs C say they were left without the opportunity to look to the lower deals that were available with other lenders. However, I'm not persuaded by this argument. Once L&G confirmed that it had been an error with its system, no formal mortgage offer had been issued. So, if there was a lower rate available elsewhere, I see no reason why their broker couldn't have simply changed the lender and rate they were recommending. I understand that Mr and Mrs C were under time constraints, but I don't think the application was far enough along to mean that a new lender couldn't have been chosen or that doing so would have resulted in significant delay. I also note that L&G had been chosen as the lender, despite other lower rates being available in the first place.

Based on this, I don't think Mr and Mrs C have suffered a financial loss. They've ended up with the rate they originally applied for, and the only rate that they were entitled to with L&G. However, I do agree they've suffered a loss of expectation. They were led to believe, due to an error with L&G's system, that they would obtain a lower rate than they could. This would've caused them some distress and inconvenience.

They've also explained that they feared they may lose the property. I'm sure this would've been stressful for them. However, the systems error was resolved within a month. And Mr and Mrs C were able to complete on the property they wished to purchase. I've thought about this carefully, and I agree with our Investigator that the amount of £150 offered by L&G is fair and reasonable in this situation. And I'm not going to ask it to increase this.

Putting things right

I understand Mr and Mrs C feel very strongly about this matter, but I'm not going to ask Legal & General Home Finance Limited to do anything more than it's already offered. So, to resolve this complaint, it should pay Mr and Mrs C £150, if it hasn't already done so.

My final decision

I uphold this complaint and direct Legal & General Home Finance Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 1 November 2024.

Rob Deadman

Ombudsman