

The complaint

Ms C complains that Bank of Scotland plc trading as Halifax mismanaged her mortgage application which cost her the loss of a deposit, solicitors fees and a valuation fee.

What happened

Ms C was a first-time buyer who got a Mortgage Promise from Halifax for a loan of £214,225.00 which was updated on 2 August 2024 to £217,975.00. Ms C found a property that was affordable with the Halifax mortgage and had her offer accepted on 26 August. Ms C paid a reservation fee of £2,000 to the agent on 27 August, contacted Halifax to make a mortgage application on 28 August, paid a fee to her solicitor on 30 August but was told by Halifax on 2 September that after examining her payslip that the most it could offer was £194,475.00 which meant that Ms C couldn't proceed with the application and she lost her deposit and solicitors costs.

Halifax confirms that it made an error on the figures in the Mortgage Promise by double counting in Ms C's London weighting allowance. But Halifax but doesn't believe that its responsible for the lost deposit and solicitor's costs as these were incurred before the mortgage application was considered and a Mortgage Promise is only an indication of what level of lending would be considered and isn't a mortgage offer. Halifax accepted that it made an error in calculating the figure on the Mortgage Promise which had caused Ms C distress and inconvenience and offered her £150, increased to £250 for that and to refund the valuation fee of £100. Our investigator considered that Halifax's offer was fair. Ms C disagreed and asked for a review.

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 last year Ms C got a mortgage offer although for less than she needed in 2024. I've looked at the file and it's clear that the Halifax advisers that were dealing with the Mortgage Promise made a mistake by double counting her London weighting allowance. That was not Ms C's fault, and I can understand the disappointment that Ms C suffered when she found out that the assessment of her income was inaccurate, and that Halifax was only able to offer a lower figure than appears on the Mortgage Promise. So, Ms C would have been looking at properties she could not afford to buy with a Halifax mortgage, and she would have suffered an amount of distress to find that out after committing herself to buying one of those properties. I believe that the sum of £250 is fair compensation for that.

The question is whether Halifax should pay for the wasted deposit and the solicitors fees. But the Mortgage Promise itself is not a mortgage offer and that's made clear on the document with a prominent "Please Note" warning "*You should not enter into a binding legal commitment to buy a property until you have received, and are happy with, the full mortgage offer.*" Ms C entered into certain commitments – a deposit and a payment to her solicitors - before any confirmation of the mortgage offer. That's unfortunate and I understand her eagerness to do this, but I can't fairly find Halifax at fault given that it advises her in the

Mortgage Promise not to make these commitments in advance of a mortgage offer and I won't require Halifax to refund these. I assume the solicitors costs she paid were costs on account and as Halifax responded quickly to the mortgage application, I would hope that Ms C may be able to salvage some of those costs on account before the costs were incurred.

Finally, in her email to us of late October Ms C says that the issue could have been solved had Halifax let her benefit from a recent scheme that allows first time buyers to borrow up to 5.5 times loan to income (LTI). But I'm not convinced that Ms C qualified for the scheme as eligibility is restricted to first time buyers who must have a total employed household income of £50,000.00 or more. From her payslip Ms C's income is lower than that. Nor is it clear that this scheme was available at the time Ms C made the mortgage application and on my reading of the file Halifax at the time looked at the best LTI it could offer but Ms C didn't qualify. As Halifax made its offer of £250 after the complaint was brought to us I will be upholding this complaint although I can't fairly provide the compensation that Ms C is requesting.

Putting things right

Halifax pay Ms C £250 in total for her distress and inconvenience and refund to her the £100 valuation fee,

My final decision

I uphold this complaint and require Bank of Scotland plc trading as Halifax to pay Ms C the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 24 December 2024.

Gerard McManus
Ombudsman