

The complaint

Mr J and Mr K complain that Shore Financial Services Ltd Shore didn't tell them in 2021 that the mortgage it was recommending charged interest on a monthly, not daily basis. They said they're paying more now to exit this mortgage, because of this.

What happened

Mr J and Mr K said they'd taken out a mortgage in 2021 on the basis of advice and a recommendation provided by Shore. They said they'd recently come to the end of the fixed interest rate period on that mortgage, and decided to remortgage elsewhere. But they said when they tried to time this remortgage so they could avoid paying the higher Standard Variable Rate ("SVR") charged after their fixed rate ended, they found that interest on this mortgage was charged on a monthly, not daily, basis.

That meant that Mr J and Mr K would always have had to pay either the Early Repayment Charge ("ERC") which was payable during the fixed interest rate period, or a month of the higher payment due on the SVR. It wasn't possible to pay off this mortgage within a few days of the old fixed rate ending, because a month's worth of interest at the SVR was charged immediately after the old fixed rate ended.

Mr J and Mr K said that cost them a little over £2,000. They weren't expecting that extra cost, and had to borrow to pay that. They wanted Shore to pay that back.

Shore didn't think it had done anything wrong. It said it had arranged a mortgage for Mr J and Mr K in the second half of 2021. It said that Mr J and Mr K's circumstances meant they always had a very limited choice of providers, and would need a specialist lender. Shore said the lender who eventually provided this mortgage wouldn't deal directly with brokers, so this offer was arranged through a packaging company (which is no longer in business).

Mr J and Mr K received an offer in November 2021. Shore said that Mr J and Mr K were sent the full offer, but it only received an abridged copy, which didn't include the General Terms and Conditions. Shore said that a "*somewhat convoluted*" provision in those terms and conditions did show that interest on Mr J and Mr K's mortgage would be calculated monthly.

Shore thought this should have been explained to Mr J and Mr K by their conveyancer, before they took out the lending. But Shore also said that if it had received a full copy of the offer, then it would have discussed all aspects of that offer with Mr J and Mr K.

Mr J and Mr K have said that cannot possibly be right, as Shore sent them the copy of the offer, which does include the General Terms and Conditions. So Shore did have it.

Our investigator didn't think this complaint should be upheld. He said that he thought Shore had fulfilled its obligations. He didn't think Shore had received a full copy of the offer, and he said he also thought Mr J and Mr K would have taken the same lending out anyway, because they had very limited options for borrowing.

Mr J and Mr K replied to disagree. They said Shore must have had the full offer, because

they got it from Shore. They had shown our service this email. Mr J and Mr K also said Shore said that if it had received this information, it would have explained the mortgage in full to them. So Mr J and Mr K felt our investigator's first conclusions must be wrong.

Mr J and Mr K also said that the limited availability of lenders was nothing whatsoever to do with Mr J's credit file.

Our investigator didn't change his mind. He said that Mr J and Mr K had received advice on their mortgage from a legal professional. And Mr J and Mr K had also signed to say that they understood the terms of the mortgage. So he thought Mr J and Mr K were aware that interest would be charged monthly and not daily. And he still thought Mr J and Mr K wouldn't have taken out a different mortgage.

Mr J and Mr K disagreed again. They said that Shore had lied when it previously said it hadn't received the full offer. They said the lender had told them it always sends a full copy of the offer to the intermediary, and here, they said the email chain showed Shore had received the offer, and simply forwarded it only a few minutes later. Mr J and Mr K thought Shore just hadn't reviewed the offer itself.

Mr J and Mr K said their lender had been clear that it was Shore's responsibility to advise them on the mortgage. And they said the advice they received from their legal advisor in 2021 didn't deal with the terms and conditions of the mortgage. The legal advisor would only comment on the legal points that affected them and their property.

Mr J and Mr K repeated their concern that if the only provision in the offer explaining how interest was charged was "*somewhat convoluted*" then that meant they would need Shore to explain it to them. Mr J and Mr K said no one at any point told them this lender calculated mortgage interest monthly and not daily. Mr J and Mr K said they knew that the majority of lenders moved to daily calculations for interest calculation some time ago, so they thought this was a very relevant piece of information, which Shore should have alerted them to.

Mr J and Mr K also said they both had maximum scores with a credit reference agency at the time, and there was nothing adverse on their credit histories. They said whoever had told our service otherwise was lying.

Shore also wrote to our service, to say that it didn't have a copy of the email sent to Mr J and Mr K, and it had relied on the lender's statement that it didn't send the full copy of the offer to the broker. It showed us this email from the lender. Shore also said it felt that the packager who had secured the lending was primarily responsible for explaining the offer. And it said Mr J and Mr K's legal advisor had signed to say that the mortgage offer letter had been fully discussed with them.

Shore also said that when it had asked the packager to approach this lender, it was clear that no other lender would have agreed to provide the lending Mr J and Mr K wanted.

Shore also set out the financial difficulties Mr J had experienced before the 2021 mortgage application, including that he had been out of an Individual Voluntary Arrangement ("IVA") for only a relatively short period, and this lending was based not on his current income, but his predicted future income, which no other lender was prepared to accept.

Because no agreement had been reached, this case then 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. This is what I said then:

When Shore responded to Mr J and Mr K's complaint, it said it hadn't been given full details of the offer sent to them. It has subsequently also argued that it wasn't the lead broker at the time that this offer was made to Mr J and Mr K, so it feels it wasn't primarily responsible for providing them with advice on this offer. But in its complaint response letter, Shore also said that if it had been made aware of the full details of the offer, it would have discussed this with Mr J and Mr K.

Mr J and Mr K have told us that they received the full offer from Shore, so they said it did have details of the offer. Shore says it no longer has this email. I do think it's likely that Shore received full details of the offer, and it does appear to have accepted responsibility for advising Mr J and Mr K at that point, so I do think Shore should have discussed this offer with Mr J and Mr K.

Because Shore does appear to have accepted it was responsible for providing Mr J and Mr K with advice on this offer, and because it also appears that Shore didn't do so, I do think that Shore should pay some compensation in this case. I'll return to this below.

However I don't think that Shore has to pay Mr J and Mr K the additional sum they said they'd had to pay to their old lender, before they were able to remortgage elsewhere. I'll explain why not.

Firstly, we know that Mr J and Mr K did receive full details of the offer. What they have sent our service makes me think that Mr J and Mr K would have understood the significance of being charged interest monthly rather than daily. But Mr J and Mr K said that they could not reasonably have been expected to understand, from what Shore described as a "*somewhat convoluted*" provision, that the interest on this mortgage was going to be charged per month, not per day.

The lender in question has also said that included with Mr J and Mr K's offer was a booklet titled "*Information for Customers*". It has shown us this, and I can see that page 6 of this short booklet includes the following –

11.5 – How do we calculate interest? Interest is charged on a monthly basis and will be calculated on the balance outstanding at the previous month's due date.

So, although I think that Shore ought to have provided advice to Mr J and Mr K on this mortgage, I also think Mr J and Mr K were provided with information which set out clearly that the mortgage they were taking out charged interest on a monthly basis.

I also have to think about whether, if Shore had conducted a more in-depth conversation with Mr J and Mr K about their mortgage, Mr J and Mr K would then have gone ahead with this lending. Shore said Mr J's credit history was such that Mr J and Mr K didn't have other lending options.

Mr J and Mr K said that both their credit scores were excellent, so they disputed that they could not have obtained an alternative mortgage. But Shore has told our service that Mr J had not long been out of an IVA, so options for lending to them were limited.

Mr J's IVA isn't recorded on the credit file that Shore obtained in 2021 for the purposes of this lending, but his credit history on that file is limited, with no credit other than utilities dating back over 24 months. I think that means it is likely that Mr J had only relatively recently come out of an IVA, as Shore said.

Many lenders ask about previous bankruptcy or IVA before they offer mortgage lending. And even if a lender didn't ask this, I think the structure of Mr J's credit file is likely to have alerted any lender to Mr J's previous credit history, and meant they would, as Shore said, be reluctant to lend. So I don't think it's likely that Mr J and Mr K could easily have obtained alternative lending. I think it's more likely, as Shore said, that only a specialist lender would offer them the mortgage they wanted.

Because of that, I don't think that the outcome of Mr J and Mr K's discussions with Shore is likely to have been different, even if Shore had explained to Mr J and Mr K fully and in detail not only that the interest on their mortgage was calculated on a monthly basis, but also that this meant they would find it almost impossible to avoid paying one month of SVR when their fixed interest rate ended. I think Mr J and Mr K were still likely to have taken out this mortgage.

For the above reasons, I do think that Shore should pay Mr J and Mr K £100 in compensation, because it had an opportunity to avoid the problem that Mr J and Mr K later experienced, when they were surprised to find they needed to pay the SVR on their old mortgage before they could move their lending elsewhere. But because I don't think the lending made to Mr J and Mr K would have been at all likely to be different even if Shore had explained this mortgage in full, I don't think Shore has to do more than that.

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

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.

Shore said it hadn't seen the email chain that I'd referred to, in deciding it was likely that Shore did have a full copy of the offer sent to Mr J and Mr K. Our service can forward that to Shore if it would like. I would also note that, although I appreciate that this lender said it didn't routinely forward a full copy of the offer to the brokerage, I would have expected Shore to seek such details, if they weren't provided.

Shore said it described the clause setting out how interest was charged as "*somewhat convoluted*" because it thought this could have been more clearly put. It didn't intend to imply that this was too complicated for clients to understand. I note this position, but as this lender did provide other documentation which was considerably clearer, nothing turns on this point.

Shore said it did think that because another party had become involved in securing this loan they should have borne the responsibility of explaining the mortgage. I understand Shore's position on this, but I also noted in my provisional decision above that Shore had accepted this responsibility. I still think Shore ought to have ensured that Mr J and Mr K had received such advice.

Shore concluded by saying it would accept my provisional decision, which appears fair in the circumstances.

Mr J also replied, to object. He said he was grateful that part of the complaint was upheld, but said that £100 in compensation was too low. Mr J said that the fact remains that Shore didn't provide the advice it should have offered, and denied receiving the full offer.

Mr J said that taking into account all the stress he and Mr K went through before remortgaging last year, and the cost of the credit he'd taken out to cover the unexpected mortgage payment, he would ask for £500. Mr J said if he and Mr K had been given proper advice, they would have been able to prepare for the unexpected mortgage cost. He said it was because a rather convoluted interest clause wasn't fully explained to them that they had to borrow to cover an unexpected interest payment.

Mr J said he'd spoken to his legal advisor, and the amount of £500 was deemed fair and acceptable under the circumstances.

I explained in my provisional decision that Shore has shown our service an email from the lender, which told Shore it would not have received a full copy of the offer provided to Mr J and Mr K. I don't think Shore has deliberately sought to lie either to Mr J and Mr K, or to our service, in this case.

I noted in my provisional decision that Shore had an opportunity to avoid the problem that Mr J and Mr K later experienced, when they were surprised to find they needed to pay the SVR on their old mortgage before they could move their lending elsewhere. But I also set out that the "*somewhat convoluted*" clause referred to above wasn't the only reference made to interest being charged monthly, in the documentation that Mr J and Mr K received. I quoted what I consider to be a very clear provision on this, which was included in the "*Information for Customers*" document sent to Mr J and Mr K.

So Shore could have avoided the surprise that Mr J and Mr K felt, when they discovered at the end of their mortgage that interest was charged monthly, if it had advised them on this. That's why I said it should pay compensation in this case. But I think that Mr J and Mr K could also have avoided that, if they had read the documentation sent to them at the time of their mortgage offer. That's why I don't think Shore has to do more than pay the amount I originally suggested.

I'm sorry to tell Mr J and Mr K that I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Shore Financial Services Ltd must pay Mr J and Mr K £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mr K to accept or reject my decision before 19 November 2024.

Esther Absalom-Gough

Ombudsman