

The complaint

Mr and Mrs T complain that Bank of Scotland treated them unfairly when they applied for a mortgage. Mrs T has dealt with the complaint. When Mrs T brought the complaint to us, she asked that Bank of Scotland offers them a mortgage.

What happened

Mrs T applied for a mortgage with Bank of Scotland. Mr T was later added to the application. Bank of Scotland wouldn't lend the full amount they applied for, saying this wasn't affordable.

Mrs T says Bank of Scotland told her she was eligible for the mortgage. She was issued with an agreement in principle for the amount she wanted to borrow. She then spent time providing evidence to support the application. Mr T was added to the application. Bank of Scotland said it couldn't lend the amount Mr and Mrs T wanted to borrow.

Mrs T doesn't agree that the mortgage isn't affordable and wants to know why Bank of Scotland told her she could have a mortgage on numerous occasions.

Mrs T had previously started an application with Bank of Scotland in 2023. She says the mortgage adviser was slow to progress the application. The application didn't proceed due to a problem with her credit score, which she has since sorted out.

Bank of Scotland said Mr and Mrs T's mortgage application was subject to affordability checks, and it hadn't made an error when it didn't offer Mr and Mrs T the amount they wanted to borrow. It apologised for poor service and offered £150 compensation. It also refunded the £100 valuation fee.

Our investigator didn't uphold the complaint, saying Bank of Scotland hadn't made an error. Our investigator said Bank of Scotland made Mrs T aware that it needed to review the application before making an offer to lend.

Mrs T didn't agree, saying she was misled about the amount she could borrow in 2023 and 2024. She said the investigator didn't take into account the distress this caused to disabled people and their family. Mrs T asked that an ombudsman re-consider the matter.

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.

Mrs T asked that we listen to recordings of her calls with Bank of Scotland. Bank of Scotland sent a list of the calls it had with Mrs T. It couldn't provide recordings of all of the calls. It did provide recordings of Mrs T calls with the mortgage adviser on 2 May 2024 and 7 May 2024.

I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mrs T started a mortgage application in 2023. Bank of Scotland says there were delays with the application. The application didn't proceed due to Mrs T's credit score. I can't fairly find that Bank of Scotland made an error when it didn't proceed with the mortgage application. It didn't meet its lending criteria. Mrs T says there was an error on her credit file which she's sorted out.

In April 2024 Mrs T used Bank of Scotland's online calculator which said she could borrow the amount she needed. An agreement in principle (AIP) was issued in early May 2024. Mrs T met with a mortgage adviser on 2 May 2024 and 7 May 2024 and a mortgage illustration was issued.

None of these things – the online calculator, AIP or mortgage illustration – are an offer to lend or a guarantee that a mortgage will be offered. The AIP says it's based on assumptions and might change once Bank of Scotland assessed Mrs T's needs and circumstances. It says the amount available is subject to change. The mortgage illustration says it's based on the information provided by Mrs T and is not an obligation for Bank of Scotland to grant her a loan.

Mrs T says she was told numerous times that she could borrow the amount she needed. I haven't seen evidence to support this – although I haven't been able to listen to all of the calls. On the calls I did listen to, the mortgage adviser told Mrs T there were no problems with the application proceeding based on the financial information she'd provided. However, he also said she'd have to provide proof of income.

Even if Mrs T was told by a member of Bank of Scotland's staff that she'd be able to borrow the amount she wanted, that wouldn't make it fair and reasonable for me to require Bank of Scotland to offer her a mortgage for this amount. That's because rules on mortgage regulation require lenders to carry out strict affordability checks before offering to lend. Bank of Scotland didn't make an error when it asked Mrs T for evidence of her income and outgoings so that it could assess whether the mortgage was affordable.

Part of Mrs T's income was universal credit. A mortgage for the amount she wanted to borrow wasn't affordable without this income. Bank of Scotland became aware that the universal credit income was in joint names with Mr T. It said Mr T would need to be added to the application in order for it to include the universal credit income in the affordability assessment. Unfortunately, the mortgage remained unaffordable when Mr T was added to the application.

Bank of Scotland said it would lend about £137,000. Mr and Mrs T needed to borrow about £160,000 for their property purchase. Bank of Scotland's notes say it looked into whether it could offer a mortgage, but the affordability gap was too big.

Mr and Mrs T were upset when Bank of Scotland didn't offer them a mortgage for the amount they needed to borrow. They were hoping to buy the property they lived in and were worried their landlord would give them notice and leave them homeless. Mrs T says Mr T nearly had a heart attack. I'm very sorry for the circumstances Mrs T describes. But I can't fairly find that Bank of Scotland made an error or treated Mr and Mrs T unfairly when it declined to lend them the amount they need to buy the property. Its assessment was that this wouldn't be affordable for them.

Mrs T spent time on calls with the mortgage adviser and providing documents to support the application. She wouldn't have done this if she'd known at the outset that Bank of Scotland wouldn't offer her a mortgage. I can understand if Mrs T feels her time was wasted, and that she could have applied elsewhere sooner. But I can't fairly find that Bank of Scotland should have known the application wasn't affordable before it reviewed the information and

documents provided by Mrs T and Mr T. Bank of Scotland gave Mr and Mrs T a lending decision less than two weeks after Mrs T's appointment with the mortgage adviser on 2 May 2024. I don't think it caused unreasonable delays that would make it fair and reasonable to require it to pay compensation.

While I appreciate how disappointing it was for Mr and Mrs T that Bank of Scotland didn't offer them the mortgage they wanted, I can't fairly require Bank of Scotland to offer a mortgage or pay compensation for not doing so.

Mrs T says she's now been offered a mortgage by a high street lender for the amount she needs to borrow. That's good news and I hope her purchase proceeds smoothly. Each lender has its own lending criteria. The fact that another lender offered a mortgage to Mrs T doesn't mean that Bank of Scotland made an error.

Bank of Scotland says there were delays in progressing Mrs T's first mortgage application in 2023. These delays weren't the reason the application didn't progress – that was because of a problem with Mrs T's credit score. Bank of Scotland refunded the valuation fee and offered compensation of £150. Mrs T told us this had been distressing for their family. But I think the stress and worry was largely due to Bank of Scotland being unable to offer them the mortgage they wanted and their concerns about the landlord giving them notice to leave the property, not due to any error by Bank of Scotland. I think for the additional upset caused by its poor service, Bank of Scotland's offer is fair and reasonable in the circumstances.

Mrs T said she would be taking advice from her solicitor. If Mr and Mrs T don't accept my decision, they will be free to take the matter to court if they want to do so.

My final decision

My decision is that Bank of Scotland plc should pay £150 to Mr and Mrs T, as it offered to do (it can deduct any compensation it has already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 22 November 2024.

Ruth Stevenson
Ombudsman