

## **The complaint**

Mr and Mrs V complain about poor service and misinformation when they took mortgage advice from Knight Frank Finance LLP. Mr V has dealt with the complaint. He says the £250 offered by Knight Frank isn't adequate for their financial loss and stress.

## **What happened**

Mr and Mrs V had a property with a residential mortgage (I'll refer to the lender as "lender 1"). Mr and Mrs V had been living overseas. On their return in mid-2023 they wanted to let out their property and buy a property to live in. They needed a residential mortgage for their property purchase and a buy to let mortgage for the property they wanted to let out. Mr and Mrs V wanted to stay with lender 1 as they understood it wouldn't treat their application differently or charge a higher rate due to their time overseas.

Mr and Mrs V took mortgage advice from Knight Frank. Mr V has a number of complaints about Knight Frank. He says:

- It made errors on the application forms for both mortgages, which it didn't share with Mr V before they were submitted. It didn't disclose the commission it would receive from the lenders.
- He asked to increase the borrowing for the residential mortgage, which Knight Frank said was possible. He only discovered the lender hadn't agreed to this when he received the mortgage offer. He had to find funds for the shortfall.
- It applied for the buy to let mortgage without their permission, which left a search on their credit files. It chose the lender (which I'll refer to as lender 2) because of the high commission it would receive, without regard to their interests as customers. They paid a high product fee (£3,999), which didn't include conveyancing costs. Knight Frank told them its service was free, then asked for a £500 application fee.
- It told them not to apply elsewhere as they'd lose the rates that had been secured. Mr V said interest rates had increased which meant they couldn't take advice elsewhere or make new applications direct to lenders.
- It didn't respond appropriately when they raised a complaint.
- The amount of the commission Knight Frank received was too much for the work it undertook and the mistakes it made.

Our investigator said Knight Frank hadn't treated Mr and Mrs V unfairly. Mr V didn't agree and asked that an ombudsman re-consider the complaint. Mr V said the Consumer Duty applied as the mortgages completed in September 2023.

## **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 should first say that arranging or advising on buy to let mortgages isn't a regulated activity. That means we can't usually look into complaints about advice given by brokers relating to buy to let mortgages. We can do so here though. That's because Knight Frank was also arranging and advising on Mr and Mrs V's residential mortgage, which is a regulated mortgage. Mr and Mrs V's regulated mortgage couldn't go ahead without the buy to let mortgage. So arranging or advising on the buy to let mortgage was ancillary to the regulated activity carried on by Knight Frank – advising on the regulated mortgage.

I should also 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. I think there's sufficient evidence to reach a fair outcome.

#### *Submitting mortgage applications without Mr V's consent*

Knight Frank recommended a residential mortgage with lender 1 in early June 2023. It received an email from lender 1 saying it was withdrawing its products at 5pm that day and rates would increase. Knight Frank submitted an application on behalf of Mr and Mrs V to secure the rate, which they agreed with.

Knight Frank recommended a buy to let mortgage with lender 2 in mid-June 2023. It received an email from lender 2 the next day saying it was about to withdraw its products. Knight Frank emailed Mr V saying that like the HSBC application it would “*get this fully submitted right now to secure the rate*”. It said this didn't tie Mr and Mrs V in and they were still free to make a decision about the buy to let mortgage later. Mr V agreed in an email sent later that day.

Mr V says he wasn't given the chance to review the applications before they were submitted. He said they agreed to secure the rate but not to submit a mortgage application. He says the applications contain errors.

Knight Frank sent copies of the emails from the lenders about the imminent change in product rates. It needed to act quickly to secure the rates on behalf of Mr and Mrs V – which it could only do by submitting a mortgage application before the rates were withdrawn.

Each lender carries out its own checks on applications and asks for the evidence it needs for this. I can't see that any errors in the applications submitted by Knight Frank affected the progress of the mortgage applications or caused Mr and Mrs V any detriment. Mr V hadn't told Knight Frank he wanted to review the applications before they were submitted.

Knight Frank told Mr V they weren't tied into the mortgage applications. Mr and Mrs V were free to make new mortgage applications to lenders directly or via a different broker – or to ask Knight Frank to apply for different mortgages. Any new application would be at the product interest rates then available from the lender. Knight Frank asked Mr V to let it know if they did apply elsewhere, so it could cancel the existing applications. I don't think it was unfair or unreasonable for Knight Frank to tell Mr V this. Mr V couldn't get the same rate by applying directly to lender 1 because it had withdrawn the rate, not because of any error by Knight Frank.

Mr V says he wanted to avoid unnecessary searches on their credit files. But I don't think it was unfair for Knight Frank to submit the applications when it did, or that Mr and Mrs V are worse off as a result. If Knight Frank hadn't submitted the applications on an urgent basis, Mr and Mrs V would have missed out on the lower interest rate products. Knight Frank says

they'd have paid over £38,000 more in interest over the product terms.

Mr and Mrs V's options weren't limited by anything Knight Frank did wrong. They could have taken advice elsewhere or made new mortgage applications if they weren't happy with the service provided or the mortgages recommended by Knight Frank. I think they chose to stay with Knight Frank because not doing so would mean losing the lower interest rate products it had secured on their behalf.

#### *The additional borrowing for the residential mortgage.*

Mr and Mrs V initially applied for a residential mortgage loan of about £920,000. In mid-July 2023 they asked Knight Frank to increase this to £950,000. Mr V said the additional borrowing was to free up money for home furnishings. He asked for the monthly payment amounts for the increased borrowing, which Knight Frank provided (it assumed the same interest rate would apply).

The mortgage offer was issued in late July 2023. Knight Frank told Mr V this was for the original amount as lender 1 had said increasing the borrowing would require a new application. This would mean choosing a new interest rate product at a higher rate and monthly payments would increase from about £3,600 to about £4,900. Knight Frank said going ahead with the additional borrowing would come at a high cost and suggested that Mr V look at other ways to raise any additional funds he needed.

Mr V said Knight Frank should have told him this sooner instead of assuming he'd be able to find the additional funds. He said he'd repaid some debts in the interim. I don't think Knight Frank gave Mr V any assurance that the lender would agree to the additional borrowing. Knight Frank made the request to lender 1 on Mr and Mrs V's behalf, and it was for lender 1 to decide whether to agree to this.

Mr V said Knight Frank should have told him before the application was submitted in early June 2023 that they wouldn't be able to increase the borrowing. I don't think that's reasonable. Knight Frank applied for a mortgage based on the information Mr V provided about their circumstances. It didn't know that Mr V would later request additional borrowing, which it seems wasn't required for the property purchase, but to free up funds for other purposes.

#### *The buy to let mortgage recommendation*

Mr V said he wanted a two-year rate for the buy to let mortgage. Knight Frank provided evidence that lender 2 offered the cheapest two-year product. Knight Frank sent an email to Mr V with a lower five-year rate offered by another lender (which also had a £3,999 product fee). It sent the rate offered by lender 2 for a rate without a product fee, but explained that the higher interest rate meant this was more expensive overall.

Knight Frank recommended the mortgage with lender 2 as it had the cheapest two-year rate, quick service and it assessed affordability in a way that fitted Mr and Mrs V's application. It sent the decision in principle and mortgage illustration prior to submitting the application, with key terms, including the product fee, interest rate and its own £500 broker fee set out on the cover email. Knight Frank said Mr V was free to suggest other lenders or apply elsewhere – so long as he let it know.

Mr V was upset that lender 2 didn't cover conveyancing costs. Knight Frank said while this was possible it wouldn't recommend using lender 2's solicitors as they didn't pick up the phone or offer a point of contact, and could take weeks to respond to emails. Knight Frank recommended that Mr and Mrs V use their own solicitors so that one firm dealt with both

mortgages to avoid delays. It also sourced a quote from an online conveyancer which was £90 plus the £300 cashback that lender 2 offered to customers using their own solicitors.

Ultimately it was for Mr and Mrs V to decide how to proceed and which solicitors to use. I can't fairly find that Knight Frank made an error when it recommended and arranged a mortgage that was the cheapest option overall.

#### *Brokers fee and commission*

The mortgage illustrations, which were issued before the applications were submitted, set out the commission that lender 1 and lender 2 will pay to Knight Frank. Mr and Mrs V were made aware of the commission that Knight Frank would receive at the outset.

Mr V asked Knight Frank to waive its £500 brokers fee for the buy to let mortgage on the basis it was receiving commission and hadn't told him about the conveyancing costs. I don't think that's reasonable. Knight Frank told Mr V about the £500 fee before the application was submitted. It was entitled to charge the fee and I don't think it was unfair to ask Mr V to pay it.

Mr V said Knight Frank withheld the mortgage offer until the broker fee was paid. He said his solicitor was waiting for a copy. Usually the lender sends a copy of the mortgage offer to the solicitors. The buy to let mortgage offer was issued in July 2023. Mr V paid the fee in August 2023 – some time after the mortgage offer was issued. Knight Frank arranged for a mortgage offer to be sent to Mr and Mrs V's solicitor at about the time the fee was paid. That doesn't mean it was somehow withholding it before that and I'm not persuaded by the evidence that it was.

#### *Consumer Duty and complaint handling*

The Consumer Duty came into effect on 31 July 2023. It's not retrospect, so it doesn't apply to events before 31 July 2023 – which is most of the events complained about here.

The only events that Mr and Mrs V complained about which happened after 31 July 2023 are Knight Frank's request for its brokers fee to be paid and its response to Mr and Mrs V's complaint.

The brokers fee was applied in relation to an application for a buy to let mortgage. Arranging and advising on buy to let mortgages isn't a regulated activity and so the Consumer Duty doesn't apply.

Because complaint handling isn't a regulated activity, we can't usually look into concerns about how a complaint was dealt with. I can't see that the circumstances here allow us to do so.

Knight Frank initially offered to waive its £500 brokers fee to avoid Mr V having to make a formal complaint. Mr V rejected this and paid the fee. It seems Knight Frank's offer to waive/refund the broker fee is no longer available.

Knight Frank offered £250 compensation for poor service, such as errors in the mortgage applications and not responding to Mr V's complaint sooner. I think, in the circumstances, that's fair and reasonable. I can't see that these errors impacted Mr and Mrs V in a way that would make it fair and reasonable to require Knight Frank to pay more compensation.

**My final decision**

My decision is that Knight Frank Finance LLP should pay £250 to Mr and Mrs V, as it offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr V to accept or reject my decision before 29 November 2024.

Ruth Stevenson  
**Ombudsman**