

The complaint

Miss K complains that she was misled by Bank of Scotland plc trading as Halifax on the level of borrowing needed when she completed a porting application leaving her with a shortfall.

What happened

Miss K took out a mortgage with Halifax in 2015 for £36,900 for a term of 20 years on a repayment basis and over the years made regular monthly overpayments to the mortgage which reduced her balance to about £12,000.00 by March/April 2024. Miss K was selling her property for £112,000.00 – she had a mortgage of £12,025.00 – and buying a new property for £147,500. The Halifax mortgage advisor produced illustrations based on Miss K borrowing £37,500.00 to finance this. But this underestimated the borrowing required which was £47,525.00. This left a shortfall which was only discovered at completion of the purchase. Miss K resolved it by increasing her borrowing to the most allowed because of affordability limits, increasing the term of the mortgage from 15 years to 28 years and adding £2,465.00 from her savings. The funds were released late on the day of completion so that Miss K paid an extra £500 to the removal firm, an expense that has been met by Halifax.

Halifax accepts responsibility for the error. After the complaint was brought to this service, it has offered Miss K £500 for the distress she suffered and to reimburse her loss of savings of £2,900.00. Our investigator thought that his offer was fair. Miss K 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.

Halifax accepts that it in discussions with its advisers, it led Miss K to believe that in order to buy her new house, having sold her old one, she would only need to borrow £37,500.00 but in fact, needed to borrow £10,000.00 more. This only became apparent the day before completion and so Miss K endured a frantic completion day with a removal firm hanging about all day, pressure from the sellers of the house and a great deal of anxiety. Completion managed to occur by Miss K increasing her mortgage borrowing and extending the term and by her dipping into her savings of £2,900.00 which were ear-marked for home improvements. I should also say that Halifax turned around a new mortgage application in one day in an effort to redeem its error.

I've read the file and note how the episode has affected Miss K. I also note that Miss K has sent us evidence of recent repairs she will be required to deal with on the property and, given the figures that Halifax had supplied she had earmarked retaining £2,900 from the house sale for these but this was used in bridging the gap between the higher mortgage and the purchase price.

It's agreed that Halifax made an error. Our role is to put Miss K in the position she would

have been but for that error when she moved property. If I look firstly at the financial impact on Miss K and whether she suffered a financial loss. Miss K previously had a house worth £112,000 and mortgage of £12,000 and savings of £2,900, which she had to use in the purchase. So, she had net assets of about £103,000, less sale costs. At completion she had a house worth £147,500 with a mortgage of £45,060.00 and so, net assets of about £102,440. What had disappeared were her savings of £2,900.00 which were used to make up the shortfall between the new mortgage and the purchase price. So, it seems reasonable that Halifax has offered to make up this gap of about £2,900.00 to put Miss K back in the financial position she would have been had the error not occurred. I also note that from Miss K had earmarked those savings for repairs to the property and so if Halifax pays this money it will allow Miss K to carry out those repairs. I appreciate that Miss K has been out this money from 4 July 2024 and so I will be awarding interest on that sum.

I also note that Miss K is paying less per month on the new mortgage than she would have been paying on the one she was offered in April. The mortgage offer in April quotes initial monthly payments of £280.36 and that in July of £230.32. Miss K references financial difficulties but from those figures that doesn't appear to be because of the new mortgage but rather from the missing savings which Halifax has offered to reimburse.

I recognise that Miss K will be paying more interest than she intended over the longer term. But she is buying a more valuable property than she was in and she needs a bigger mortgage to pay for it so it's reasonable for her to be paying the interest on that and the affordability assessment confirms that it's affordable. Miss K says she would like to be paying the smaller mortgage she was first offered by mistake. But if I were to put Miss K back on the original lower mortgage offer at completion, the lower mortgage would mean, using the figures I used above, that her net assets would increase by £10,000.00 which is not the purpose of our redress. Our aim is to provide fair redress. We can't require Halifax to put Miss K in a better position than she would otherwise have been because it made a mistake.

I also have read how Miss K describes the effect on her of all this. It's not a position that anyone would like to be in, and I fully empathise with how it would have affected her. This is a case where Halifax's error has caused Miss K considerable upset, distress and worry and using our guidelines I believe that the amount of £500 in total represents fair compensation for her distress and inconvenience.

Putting things right

Bank of Scotland plc trading as Halifax should pay Miss K £2,900.00 for her financial loss together with interest at 8% simple from 4 July 2024 to date of payment. Halifax should also pay Miss K £500 in total for her distress and inconvenience. If Halifax is required by HMRC to deduct tax from the interest paid to Miss K it should provide Miss K with a certificate of tax deducted if she requests it to enable her to reclaim that tax if she can do so.

My final decision

I uphold his complaint and require Bank of Scotland plc trading as Halifax to pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 14 May 2025.

Gerard McManus
Ombudsman