

The complaint

Mr K and Mr V have complained that in 2022, rather than the five-year fixed rate mortgage they wanted, Merchant City Mortgages Ltd (at the time an appointed representative of Monarch Financial Services Ltd, and referred to here as Monarch) applied for a two-year fixed rate mortgage. When the two-year fixed rate expired, interest rates had increased and Mr K (who has dealt with the complaint on behalf of both parties) says that this has resulted in a financial loss for which he would like Monarch to compensate him and Mr V.

In addition, Mr K says that Monarch did not provide a suitability report for the advice it had given.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr K and Mr V being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Briefly, early 2022 Mr K and Mr V applied through Monarch for a mortgage. Prior to an application being submitted, there were discussions (by email) between Mr K and Monarch about various lenders and mortgage products. It was identified that a capital repayment mortgage with an initial fixed rate was the most suitable.

The crux of the complaint is that Mr K says he and Mr V wanted a five-year fixed rate and that they believed Monarch had booked this, but instead Monarch booked a two-year fixed rate. The timeline of events is important here.

The mortgage application was submitted on 24 March 2022 at 1.28pm. This was for the two-year fixed rate that Monarch had recommended and provided illustrations for.

At 1.56pm, after the application for the two-year fixed rate had been submitted Monarch said it had now sourced a five-year fixed rate. However, it wasn't until 11 April 2022 that Mr K asked how long the rate (2.58%) would be available for. Monarch replied the same day to say it was *"taking steps to book the rate as we speak"*.

The mortgage offer was issued on 29 April 2022. On 4 May 2022, Mr K queried the available rates, and Monarch explained that the two-year 2.38% rate was the interest rate on the offer, so although rates had increased, that was the rate that had been booked. The best available five-year rate at the time was 2.99%.

The mortgage completed on the two-year fixed rate on 22 July 2022.

In July 2024 Mr K and Mr V raised a complaint through our service. They say they'd wanted the 2.58% five-year fixed rate but Monarch had in error applied for the 2.38% two-year rate. Now the two-year fixed rate had ended, interest rates had increased and they were out of pocket. Mr K said that when he'd raised this with Monarch, the adviser had promised to pay the difference out of his own pocket.

An Investigator looked at what had happened but didn't think the complaint should be upheld. Mr K and Mr V disagreed and asked for an Ombudsman to review the complaint.

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've reviewed all the available documentation, including the contemporaneous evidence of emails and Monarch's portal. This is evidence compiled at the time of the events later complained about, so I am satisfied it can be considered a reliable record of what happened at the time.

I've noted what Mr K has said about not receiving a suitability report. This was uploaded to Monarch's portal on 5 April 2022, and was a recommendation for a two-year fixed rate product. The digital record shows that Mr K previewed and acknowledged this report two days later.

Where a fixed rate is offered to the market it is only available for a limited time, until all the funds offered at that rate have been reserved. Brokers aren't made aware of when a rate is due to be withdrawn (in order to avoid a 'rush' on a particular product).

As I said above, the five-year fixed rate was sourced *after* the application for the two-year fixed rate had been submitted to the lender on 24 March 2022, albeit on the same day. Monarch immediately told Mr K about this, but it wasn't until 11 April 2022, nearly two weeks later, that Mr K responded to ask if the rate was still available.

I would not have expected Monarch to have applied for a five-year fixed rate without confirmation from Mr K and Mr V that this was what they wanted. This is particularly so given that the recommendation, product comparisons and illustrations were all for two-year fixed rates. Therefore, given that the application for the two-year fixed rate was submitted *before* the five-year fixed rate was sourced, I'm not persuaded Monarch applied for the 'wrong' product.

However, after Monarch told Mr K about the five-year rate on 24 March 2024, it seems there was a change of mind. I can see that Monarch said it was "*taking steps to book*" the five-year 2.58% fixed rate on 11 April 2022. It is possible – indeed I think more likely than not – that the rate was no longer available at that point if all the funds at that rate had already been reserved, but this isn't something Monarch would have been aware of until it made the application. I also note that at about the same time the lender announced it was increasing its two-year and five-year fixed rates.

Given this, and taking account the time-stamped records, I'm not persuaded Monarch applied for the 'wrong' rate on 24 March 2022. I also can't ignore that the recommendation in the suitability letter was for a two-year fixed rate. In addition, all the illustrations and product comparisons had been for a two-year fixed rate, and I'm satisfied Mr K and Mr V were aware of this from the documentation with which they'd been provided.

I'm satisfied that Mr K and Mr V were also aware from the mortgage offer dated 29 April 2022 that this was for a two-year fixed rate at 2.38%. The mortgage offer says there is a seven-day reflection period for Mr K and Mr V to decide if this is the right mortgage for them.

I can see from the email exchange between the parties that, when discussing the 2.99% five-year fixed rate on 4 May 2022, Mr K and Mr V were aware they could choose between the 2.38% two-year rate or the 2.99% five-year rate, Mr K and Mr V said:

"...Notwithstanding the reduced flexibility from the 5-year product we are legitimately concerned about rate rises and would like to have been able to make an informed choice as to which rate-lock period suited us best. Given this, i.e. that we now face a choice between 2.38%/2-years & 2.99%/5-years, we would opt to proceed with the 2-year product..."

I'm satisfied that Mr K and Mr V *did* have the opportunity to choose a five-year fixed rate after their two-year fixed rate mortgage offer was issued. Lenders will generally allow a new rate to be substituted, provided all other lending criteria are the same. So I'm not persuaded that Mr K and Mr V were 'locked' into the two-year rate with no other option prior to completion of their purchase in July 2022.

Mr K says that Monarch's adviser had promised to pay the difference in the interest rates from his own pocket. Mr K says that this was via WhatsApp messages with the adviser. However, no evidence has been provided of this (e.g. screenshots of the WhatsApp chat), and Monarch disputes this was ever stated. In the circumstances, I'm not persuaded that there was any such agreement between Monarch and Mr K and Mr V.

Overall, I'm not persuaded by the contemporaneous evidence that the application for the two-year fixed rate product was an error, given the recommendation in the suitability report and all the illustrations for a two-year product. As I said above, it's possible that the five-year rate was no longer available on 11 April 2022; it's equally possible that an error had been made by Monarch in applying for the two-year rate rather than the five-year rate. However, the online portal shows that the mortgage application was made on 24 March 2022, several weeks before Mr K asked how long the five-year rate would be available for on 11 April 2022.

I do understand that Mr K and Mr V are disappointed now their two-year fixed rate has ended that interest rates have risen, and I am sure with the benefit of hindsight they probably wished they'd opted for the 2.99% fixed rate. However, I'm unable to hold Monarch responsible for Mr K and Mr V's decision to proceed with the two-year rate over the 2.99% five-year rate. And as I said above, given the timeline of events, the evidence doesn't persuade me that Monarch applied for the 'wrong' product when it submitted the application for the two-year fixed rate, which was prior to it being able to source the five-year 2.58% fixed rate.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mr V to accept or reject my decision before 23 April 2025.

Jan O'Leary
Ombudsman