

The complaint

Mr and Mrs V complain about the way that Shawbrook Bank Limited handled their application to remortgage their portfolio of investment properties.

What happened

Mr and Mrs V applied to Shawbrook to remortgage their portfolio of investment properties from another lender. Their existing lending facilities were due to end in September 2022.

In May 2022, Shawbrook issued an indicative mortgage offer to refinance Mr and Mrs V's existing borrowing subject to other checks being carried out.

In January 2023, Shawbrook issued a mortgage offer (the first offer) to lend Mr and Mrs V £2,018,855 over ten years with an interest rate of 4.24% fixed for five years and an arrangement fee of 1.45% of the loan amount.

In September 2023, Shawbrook issued a new mortgage offer (the second offer) to lend Mr and Mrs V £1,909,722.50 over ten years with an interest rate of 6.59% fixed for five years and an arrangement fee of 2.95% of the loan amount.

Mr and Mrs V complain that there were significant and repeated failures in how Shawbrook handled their application. As a result, they incurred increased costs in redeeming their existing mortgages, setting up the new loan and the arrangement fee – along with a significantly higher interest rate. They also said that Shawbrook had caused them “financial and mental stress” and that they are under threat of having some of their properties placed in receivership.

Our investigator thought that Shawbrook's offer of £300 was fair. She said that Shawbrook had caused delays between August and January 2023, but even if those delays had not occurred, Mr and Mrs V would not have been able to complete before the first offer expired.

Mr and Mrs V did not accept what the investigator said. They responded to make a number of points, including:

- When they first spoke to Shawbrook it agreed to lend 75% of the value of the properties – but it only agreed around 52% on the reduced portfolio.
- One of the properties that was originally included was agreed on the condition that the lease was extended within 12 months of inception of the new loan. They paid £900 to solicitors to start that process. But Shawbrook changed its mind.
- The early repayment fees started at 3% on the first offer but start at 5% on the second offer.
- The first offer was delayed for no apparent reason. The information from their broker supports this.

- There was a deliberate attempt by Shawbrook to delay the offer because the wider financial environment had changed and interest rates had gone up and it did not want them to benefit from the relatively lower interest rate.
- The underwriter did not want to refinance two of the properties. When the properties were revalued the same surveyors identified problems they did not identify in their first surveys.
- When Mr V spoke to Shawbrook to complain he had to cut the call short as he had to attend a hearing. He thinks that it was unfair that Shawbrook asked his broker what the purpose of the hearing was. He considered that was because of his ethnic background and that someone from a white background would not have been subject to the same treatment. Mr V said he was made to feel that he was lying or hiding a criminal activity and that this caused him significant stress and upset.
- The initial delays by Shawbrook meant they had no choice but to accept the second offer as they had to redeem their existing mortgages – but it will cost them significantly more over the fixed term.
- The reduced loan-to-value meant that they could not refurbish other properties and lost planning permission on two other plots they own.
- The reduced loan amount meant they could not extend the lease on properties they owned with short leases. As a result, they are at risk of receivers being appointed as they are unable to refinance those properties.
- We should look at all communications from Shawbrook, his broker and them regarding this matter.
- Shawbrook has admitted liability for the initial delay, but it has only offered £300 compensation. Their losses over the fixed term are significantly more than that.

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 am satisfied that I have enough information to be able to make a decision on this complaint. I understand why Mr and Mrs V are unhappy. They have ended up with a loan that did not meet all of their requirements and is more expensive than what was originally envisaged. I appreciate that has left them in a very difficult position. But after very carefully considering all of the evidence, I agree with the investigator that the amount offered by Shawbrook to settle this complaint is fair in all the circumstances. I will explain why.

Shawbrook has accepted that it caused some delays. It had received all of the valuations by 11 August 2022. But it did not review the application until 7 October 2022. There were then further delays between 1 December 2022 and 11 January 2023 following some legitimate queries regarding the ownership of some of the properties. Shawbrook has told us that its usual service level 25 days. It took longer than that to review the valuations and to make other queries before it issued a mortgage offer.

Mr and Mrs V consider that if Shawbrook had not delayed processing their application they would have received an offer before the mini budget and the subsequent volatility in interest rates. But I think that is unlikely. If Shawbrook had acted in line with its service standards it still would have taken up to 50 days to issue an offer – that would have been up to 30

September 2022. That was after the mini budget that was on 23 September 2022. So it is not clear that they would have been in a position to receive an offer before the period of volatility that followed, even if there had not been any delays.

While Shawbrook has accepted that it caused delays, my experience is that most if not all mortgage lenders were affected by the significant and unexpected increase in demand caused by the volatility in the mortgage market at the time in question. There is no evidence that it deliberately delayed things so that it could charge Mr and Mrs V a higher interest rate. And even if it had issued an offer earlier, I am not sufficiently persuaded that Mr and Mrs V could have met the conditions of any such offer to complete before it expired. I say that as when the first offer was issued Mr and Mrs V were not able to meet the conditions of the offer before it expired.

It is for Shawbrook to decide how much it was prepared to lend to Mr and Mrs V, what properties it would accept as security and what conditions to place on the loan. It is not for me to interfere in that unless it has not made such decisions fairly or reasonably. I am satisfied that Shawbrook acted fairly in issuing the offers. While it may have indicated that it might be prepared to lend on different terms at an earlier point, it had not formally done so. And there was no obligation for it to later agree lending on terms that it had previously discussed informally. This was a commercial agreement and Mr and Mrs V ought to have known that there was no formal agreement until an offer had been produced. I can't see that the way Shawbrook reached its decision was unfair or unreasonable. It reflected the information available to it.

Some of the initial valuations had expired. I can see that Shawbrook considered allowing the first offer to be issued without the properties being revalued. But the surveyor was unable to extend the valuation. So it was reasonable for Shawbrook to make it a condition of the loan that any properties that had been valued more than six months ago to be revalued.

The valuations were all carried out by independent suitably qualified surveyors. Shawbrook was not responsible for the content of the valuations or revaluations, and it was reasonable for it to rely on what the surveyors said when deciding whether a property offered suitable security or how much it was prepared to lend. There is no evidence that Shawbrook attempted to influence the surveyors' appraisals of any of the properties. And I can see that Shawbrook sought clarification from the surveyor when Mr V challenged the valuations. That is in line with the steps I would expect it take.

The first offer expired on 30 April 2023 because Mr and Mrs V had not met all of the conditions set out in the first offer. I can't see that was because of any acts or omissions or unfairness by Shawbrook. It was reasonable for it to set the conditions it did and to look for Mr and Mrs V to comply with them before allowing the lending to complete.

It was also reasonable for Shawbrook to review everything again before issuing the second offer. Again, I can't see that it reached the decision it did about how much it was prepared to lend or the terms on which it would do so in an unfair or unreasonable way. Based on the information available to it, it had valid reasons to reduce the amount it was prepared to lend.

The interest rate and arrangement fee reflected the costs at the time the second offer was issued. While Shawbrook caused some delays at the outset, the time taken to get to that point reflected a number of legitimate concerns it had including regarding the security and the ownership of some of the properties. It was reasonable for Shawbrook to have those concerns bearing in mind the evidence it had. And the evidence I have does not support that Mr and Mrs V complied with all of the conditions so that the first offer could go ahead before it expired.

I don't consider that Shawbrook acted unfairly or unreasonably in making the second offer to Mr and Mrs V. It was their decision whether to accept the revised terms or not. I don't see how I could hold Shawbrook responsible for the difficulties that Mr and Mrs V experienced because they could not borrow as much as they wanted or needed. Shawbrook had legitimate concerns that it reasonably required to be addressed before it made a second offer. Those concerns were also reflected in the amount it was prepared to lend and the conditions it placed on the second offer.

The evidence we have does not support that Mr V's race was a factor in Shawbrook seeking clarification from Mr V's broker what the hearing was about. I understand the reasons why he had that perception, but I do not think the evidence we have supports his belief. Shawbrook said that it carried out online searches on Mr V and this was standard procedure. That is not unreasonable bearing in mind the size and nature of the loan that was being considered. It said that information from those searches meant that it had reason to clarify what Mr V said when he had to end a call to it. I think that was reasonable in the circumstances. There is no evidence that Shawbrook had any concerns that Mr V had undertaken any criminal behaviour or that it sought clarification because of his race.

Overall, I consider that Shawbrook's offer of £300 is fair to reflect the initial delays in processing the application. I don't consider that those delays were the reason that Mr and Mrs V ended up with the interest rate they did or any of the other revised terms of the loan. The length of time the application took reflected that there were several issues with a number of the properties that were put forward as security – it was reasonable for Shawbrook to look for those issues to be rectified before it lent or to take them into account in its lending decision. While I accept that Mr and Mrs V have been caused a significant amount of distress and inconvenience over the course of the application, only a small part of that was because of Shawbrook's initial delays.

My final decision

My final decision is that Shawbrook Bank Limited should pay Mr and Mrs V £300.

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 8 May 2025.

Ken Rose
Ombudsman