

The complaint

Mr and Mrs E complain that London and Country Mortgages Ltd (“L&C”) didn’t perform a rate check on the mortgage before they took out a new mortgage product.

What happened

Mr and Mrs E have a mortgage with a lender. Their broker was L&C. The mortgage is composed of two loan accounts with different mortgage products. The mortgage product on one of the accounts with an outstanding balance of £286,286 ended on 30 September 2023. The other mortgage product with a balance of about £99,000 on the account ended in February 2025. Mr and Mrs E contacted their broker on 20 September 2023 about a new mortgage product and the broker recommended that they stay with their existing lender and accept a new mortgage product fixed for two years. An application was submitted on 21 September but about the same time, Mr and Mrs E tried to contact L&C to see if a better rate had become available in the meantime, but L&C didn’t respond.

L&C initially said that it hadn’t received a communication from Mr and Mrs E on 21 September but then agreed that it had. Because of this failure in communication, it offered £50 by way of apology but said that as their chosen lenders rate had not changed in the few days before October 2023, Mr and Mrs E suffered no financial loss.

Our investigator’s view

Our investigator’s view was that there was no evidence of Mr and Mrs E suffering a financial loss and didn’t recommend that the complaint should be upheld. Mr and Mrs E disagreed and asked for a review.

My provisional findings

As my view of his complaint differed from that of our investigator I issued a Provisional Decision which I set out below:

“Mr and Mrs E’s mortgage product on their main loan was coming to an end at the end of September 2023 and they approached L&C late in that month for advice. By approaching the broker so late Mr and Mrs E were putting themselves at a disadvantage. If the broker were to source a mortgage product with a lender different than their existing lender it would involve a new mortgage and so new affordability checks, new valuation, a new legal security on the property replacing the existing one. It would also involve time. As the existing mortgage product was coming to an end, it would mean that Mr and Mrs E’s payments would move from the fixed rate they were on to their lender’s standard variable rate (“SVR”) for the period until the new mortgage was drawn down. The broker discussed a new mortgage product with Mr and Mrs E on 20 September 2023 and noted that they required a two-year fixed rate with the flexibility to renew their options then, wanted to overpay by 10% and intended staying in the property for the next seven years.

Mr and Mrs E also wanted to extend the term to 30 years to help with payments. This was noted as a short-term issue and that Mr and Mrs E might want to shorten the term in the

future. The broker at the time noted the problem that Mr and Mrs E would be disadvantaged in applying to another lender by moving to the SVR and paying an early repayment charge ("ERC") on the second part of the mortgage. The notes record that Mr and Mrs E would be £4,000 better off staying with their existing lender than with the best alternative. The broker sent out a suitability letter saying that they recommended a product with their existing lender because "we can switch you quickly and easily and they have a competitive rate." I noted that this wasn't necessarily the lowest rate available, but a competitive rate given the circumstances. Mr and Mrs E were happy with that and agreed to go ahead with it in time for the beginning of October. The broker confirmed on 21 September that the rate had been secured and then at the end of the day on 21 September Mr E enquired of the broker: "I can see after today's announcement mortgage rates have actually dropped...is this now the best rate available to us?"

In the suitability letter L&C says that

"We provide a Rate Check service to make sure you've still got the best rate for your circumstances, at any time before you complete. Simply ask us to check it's still the best option for you at any time - if we find a better deal, we'll help swap you to it."

So, Mr and Mrs E were asking for a service, namely the Rate Check service that L&C said that it would supply. Unfortunately, Mr and Mrs E got no response and indeed were told that there was no trace of that email. The announcement on the 21 September was that the monetary policy committee of the Bank of England decided to leave its base rate unchanged after a sustained period of it rising which encouraged a more competitive interest rate environment.

Although L&C didn't respond at the time, it has provided confirmation from the existing lender that the rate offered to Mr and Mrs E remained the best rate available to them from that source during the period up to their switch. Of course, there could have been a lower rate available from other lenders. But the issue remained, which had been considered by the broker, that any switch would have costs for Mr and Mrs E that meant that it was better to stay where they were than switch. Those costs involved paying an ERC on the second part of the mortgage account and paying their monthly payments on their existing lender's standard variable rate on the first part of the mortgage until such time as the new mortgage was drawn down together with any costs of switching. Further, I note that at this time Mr and Mrs E were looking at a temporary transfer to interest-only and an extension of the term, which indicates that this may not have been the best time for them to approach a new lender and meet an affordability test or to start paying the higher monthly payments whilst they waited to switch lenders.

Given that on 21 September 2023 there was no reduction in the Bank of England base rate such as would have led to significant changes in interest rates, I'm not convinced that Mr and Mrs E missed out on a new interest rate at that time that would have worked out better financially for them - given the costs of switching - than the interest rate they were offered by their existing lender. So, I've no evidence that Mr and Mrs E suffered a financial loss. But, as I say above L&C offered a rate check service to them that it didn't provide when Mr and Mrs E asked for it. If they had got that service in my view it would have provided comfort to them that L&C had sourced the best rate for them given their circumstances. But L&C didn't provide it and that has caused them continued and understandable concern that they have been paying more than they should have. Whilst I don't agree that they have, I understand their concern and believe that compensation of £250 more fairly reflects their distress caused by L&C not providing the service it offered. So, for that reason, I propose upholding this complaint and awarding Mr and Mrs E compensation of £250.

I note that Mr and Mrs E say that L&C advised them that their lender would automatically

transfer them from what they call the UK mortgage guarantee scheme to the newly secured rate, but they had to arrange this directly with the lender and this caused them delay and expense. But Mr and Mrs E provided no evidence that L&C gave this advice, and I can't fairly uphold that part of the complaint."

I issued my Provisional Decision and invited further submissions from Mr and Mrs E and from L&C. Whilst L&C accepted my decision, Mr and Mrs E set out some further points for my consideration and requested a Final Decision.

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.

Mr and Mrs E replied to my Provisional Decision to say that on checking the market they could see multiple available products that could have saved them thousands. But Mr and Mrs E have not produced evidence that this was the case and although there might have been lower rates available at the end of September 2023 than they were offered, I have to recognise that there were still going to be significant costs of switching which - given that the Bank of England base rate didn't fall at that time - I consider more likely than not would have outweighed the benefits of any lower rate. It's unfortunate that L&C didn't respond to them at the time and clarify that. In light of what Mr and Mrs E said I've reconsidered the complaint, but I remain of the view that L&C failed to provide a service that it offered, Mr and Mrs E didn't suffer a financial loss as a result of that but should be compensated for L&C failing to provide the service it promised. I assess that fair compensation for the resulting distress and inconvenience at £250.

Putting things right

London and Country Mortgages Ltd should pay Mr and Mrs E £250.

My final decision

My decision is that I uphold this complaint and require London and Country Mortgages Ltd to pay Mr and Mrs E the compensation set out above.

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

Gerard McManus
Ombudsman