

The complaint

Mr and Mrs C have said that Clydesdale Bank Plc unfairly refused to proceed with an application they wanted to make to port their mortgage to a different property.

What happened

Mr and Mrs C held an existing mortgage with Clydesdale. A mortgage offer issued in November 2021 showed they borrowed £960,000 on a part repayment (£60,000) and part interest only (£900,000) basis. The mortgage was taken over a term of just under 14 years, on an interest rate that was fixed at 2.28% until 31 January 2027. The mortgage offer showed an early repayment charge ("ERC") would be incurred if the mortgage was repaid during the fixed interest rate period and said that Mr and Mrs C had the right to transfer the loan to another property subject to various conditions being met.

In September 2024 Mr and Mrs C approached Clydesdale as they wanted to port their mortgage to another property they had bought and had been renovating (with the help of a mortgage from a different lender).

On 10 September 2024 Mr and Mrs C provided a copy of a mortgage valuation report they'd recently had carried out on the property for the other lender.

On 12 September 2024 Clydesdale said it was unable to proceed with an application as it didn't accept that type of property as security for its mortgages. Clydesdale cancelled the appointment that had been booked.

Mr and Mrs C raised a complaint. They said the property the mortgage was currently secured against was a similar property in that it also had equestrian facilities and stables, and they were happy for the new property to be valued using just two acres of the land (which is what had happened with their existing mortgage).

Clydesdale didn't uphold the complaint. It initially said that a full mortgage application had been considered, but when Mr and Mrs C pointed out that wasn't the case it apologised for the error.

Our Investigator didn't uphold the complaint. He said that whilst Clydesdale did lend on properties with equestrian facilities, it was dependent on the individual property, and Clydesdale had fairly considered the property and wasn't willing to proceed to application.

Mr and Mrs C didn't agree and so the case was passed to me to decide.

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 recognise that Mr and Mrs C feel very strongly about this, and I thank them for the thoroughness of their submissions. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not

because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

A mortgage loan and a mortgage product are two different things. A loan is the underlying transaction in which money is lent; the product is the terms that sit on top. For example, an agreement to borrow £100,000 over 25 years is a mortgage loan; an agreement that for the first two years a fixed interest rate rather than the standard variable rate will apply is the mortgage product that sits on top.

In moving house, a borrower pays off their old mortgage with the proceeds of the sale. They also, and separately, apply for a new mortgage to fund buying the new property. A lender will consider the new application on its own merits. If it's prepared to grant a new mortgage, it will then consider whether to port across the old product – if the terms of the old product allow it. These are two separate decisions.

If a lender isn't prepared to grant a new loan, then porting can't happen, and so the mortgage product ends with the old loan; depending on the product terms, an ERC may be payable.

Looking at the mortgage offer I think it was made sufficiently clear that while porting was a feature of the mortgage product there were conditions attached, one of which was:

'you meet our lending, affordability and eligibility criteria, applicable at that time the application to port is processed'

A lender will decide what types of property it is willing to provide mortgages for. Many lenders either have a limit on how much land can be attached to a property, or for such properties to be considered on a case-by-case basis.

I understand Mr and Mrs C feel that Clydesdale hasn't treated them fairly, but a lender is entitled to decide what types of risk it is willing to take when it lends, and that's not something this service would normally look to interfere with. The fact another lender was willing to accept it as suitable security doesn't mean that Clydesdale did anything wrong. Different lenders have their own policies, which is only right.

Clydesdale told Mr and Mrs C at a very early stage that the property didn't fit with its lending criteria, and it wouldn't be willing to lend. As it was applying its lending criteria, I can't find it cancelling the appointment that had been booked to make a full application was unreasonable. It didn't need Mr and Mrs C's permission to do so and I don't think it acted unfairly in this regard.

I understand Mr and Mrs C feel that Clydesdale changed its lending policy between them taking out their mortgage on their first property, and their request to port it to the second property. But even if that did happen, that is allowed and doesn't mean a lender has to allow a mortgage application to proceed or that it must refund the ERC if the first mortgage is repaid early. In any event, I'm satisfied the policy didn't change here in the way Mr and Mrs C think. Whilst Mr and Mrs C think the second property would have been accepted previously (subject to the valuation being based on just two acres) that's not the case. Clydesdale's policy is (and was when the mortgage was agreed for the first property) that non-standard properties like this are considered on a case-by-case basis. And by non-standard, I mean properties with, as here, equestrian facilities.

Whilst I understand Mr and Mrs C's confusion that they couldn't port their mortgage to the second property, especially as the loan to value would be going down (with the mortgage amount staying the same and the new property being worth more), the value of the asset is

only a part of the assessment Clydesdale does. It seems Mr and Mrs C are conflating the value of the property (which Clydesdale had no issue with) with the type of property (which Clydesdale wasn't willing to accept). The property could have been worth £5m, £10m or £20m, but that would make no difference if the lender isn't willing to lend against that type of property, whether it be because it is a commercial property, a castle, made of wood or – as here - because of the level of equestrian facilities and land it has.

The significant difference here is the amount of land, which lends itself to a very different type of property.

The 2017 mortgage valuation for the first property says there are four acres of land, and in terms of outbuildings there was one workshop, four stables, one store and one double garage.

The 2024 mortgage valuation for the second property says there are 22 acres of land, and information available online about the property (and provided to our service by Mr and Mrs C) indicates there was a manège and an extensive collection of outbuildings with the plan showing seven stables, three stores, a tack room, a hay barn, a workshop, a large barn and three garages/carports. I understand Mr and Mrs C have carried out refurbishment work since then.

Although Mr and Mrs C had increased the equestrian facilities at the first property, that wasn't what the original lending decision was based on. That was based on the details I've set out above, which shows a modest equestrian property with limited acres and stables. The second property has substantially more acres and equestrian facilities.

Clydesdale's lending policy isn't that there is a maximum number of acres it is willing to secure a mortgage on, instead it looks at non-standard residential properties on a case-by-case basis. Here it was willing to accept the first property as security for a residential mortgage, but it wasn't willing to accept the second property. It doesn't matter that the second property has a much greater value. Clydesdale is entitled to decide it is not willing to lend money secured on properties with larger equestrian facilities and land, whilst still lending on ones with more modest facilities and land.

Mr and Mrs C have pointed to other decisions made by our service that it feels mirror their own situation. But I don't agree. The first decision Mr and Mrs C have referred to relates to a lender not lending to a customer due to their age, when everything else remained the same, and the second relates to a lender not agreeing to lend to a customer on an interest only basis when they already had an interest only mortgage.

In both these cases the lender already had the exact same mortgage risk on their books.

That is, in the first case the lender was already lending the customer the same amount over the same term, all the customer wanted to do was secure that mortgage against a new property instead, and the new property met the lender's lending criteria. So we said that lending should be allowed as the property met the lender's lending criteria, and everything else was to remain the same.

In the second case the lender was already lending the customer the same amount on an interest only basis, all she wanted to do was secure that mortgage against a new property instead, and the new property met the lender's lending criteria. So we said that lending should be allowed as the property met the lender's lending criteria, and everything else was to remain the same.

Mr and Mrs C's situation is very different in that whilst the mortgage was to remain the same, the property doesn't meet Clydesdale's lending criteria and so it wasn't willing to secure a mortgage against it. That isn't the case in the two examples Mr and Mrs C have found.

Clydesdale has said it is willing to consider a further request from Mr and Mrs C if the property title is split in two, so the equestrian facilities are separate to the house. That would still be subject to a full application, valuation and underwriting.

Mr and Mrs C have asked why Clydesdale didn't suggest that as an option, and by cancelling their appointment it prevented Mr and Mrs C from putting it forward as an option.

I would not expect a lender to make a proactive suggestion like that as it would be an overreach from their role, which is to consider the application that is put forward. To suggest such a substantial change as that, without a customer raising it first, could be misconstrued as advice that it would be a good way to proceed. But, with any process like splitting titles, there can be unintended consequences so it would have been inappropriate for Clydesdale to put it forward as a suggestion. And I don't think the cancellation of the appointment prevented Mr and Mrs C from putting it forward as a potential option as they were in email contact with both the adviser and the complaints team. As they have been clear in their communications throughout both processes, that potential option is something they could have raised in any of those emails and it then could have been considered.

The mortgage offer from November 2021 said that porting the interest rate product would be possible, but it was clear that acceptance of a new mortgage application wasn't in any way guaranteed and was subject to the lending criteria in place at the time of application. Porting is always dependent on the property the borrower wants to move to being acceptable to the lender. Porting was not something that was guaranteed when Mr and Mrs C agreed to their mortgage contract in 2021, it was simply a possibility. The ERC was clearly documented in the mortgage offer that was sent to Mr and Mrs C, and when they agreed to take out the mortgage they accepted that offer and the ERC that was associated with it, even if they thought, at the time, it was unlikely they would have to pay it.

As I have said above, I don't consider Clydesdale acted inappropriately in declining to progress a mortgage application for the new property, as the property clearly fell outside its lending criteria and wouldn't have been deemed to have been suitable security, and I'm satisfied the ERC forms part of the contract that Mr and Mrs C agreed to. So if Mr and Mrs C now pay off their mortgage, Clydesdale is entitled to charge the ERC in line with the mortgage offer.

I note Mr and Mrs C asked our Investigator if we have seen the ERC calculations and if we've considered whether they are a reasonable pre-estimate of the cost of ending the mortgage early. That wasn't a complaint point that was raised with Clydesdale so isn't something we can consider here as part of this complaint. If Mr and Mrs C feel the ERC doesn't meet the regulator's requirements¹ in this respect, then that is a new complaint they can raise with Clydesdale directly if they want to do so.

Finally, Mr and Mrs C have commented on the way things were handled, in that Clydesdale said it didn't lend on properties with equestrian facilities, and when dealing with the complaint Clydesdale said a full application had been considered, when it hadn't been. Clydesdale apologised for the error in its complaint response letter, and in respect of the first issue I'm satisfied that was a mistake by the adviser when trying to relay the response she'd received from the underwriter. I've seen the email from the underwriter and that says the issue is the total size and level of equestrian facilities. So the fact there were *some*

¹ <https://www.handbook.fca.org.uk/handbook/MCOB/12/3.html>

equestrian facilities wasn't a reason for not proceeding. It was the amount and type of equestrian facilities when combined with the amount of land (which was 22 acres). As I've said, that is a very different lending proposition to a four-acre property with just four stables and no manège (as there was no indication on the 2017 valuation that there was a manège at the first property at the time Clydesdale agreed to lend on it).

Whilst I've a great deal of sympathy for the position Mr and Mrs C found themselves in, for all the reasons given I simply can't uphold this complaint however much they may want me to.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 29 August 2025.

Julia Meadows

Ombudsman