

## **The complaint**

Mr L complains that Leeds Building Society declined his application for an interest-only mortgage.

## **What happened**

Mr L applied for an interest-only residential mortgage of around £60,000 with Leeds Building Society (LBS). A declaration was submitted by his broker. It recorded that the capital owed at the end of the term would be repaid through the sale of the mortgaged property. The property was valued at around £210,000.

LBS declined Mr L's application. Unhappy with this, Mr L complained. LBS said Mr L's repayment strategy wasn't suitable as there wasn't enough equity in the property to both repay the loan and to buy a new property in the area specified in the declaration.

Mr L referred his complaint to our Service. He said the product literature was misleading, and it didn't specify that the area the property would be purchased in would be considered. Regardless Mr L thought there was enough equity in the property to buy in that area and his application should be accepted. He said he had needed to pay a product fee and application fee with another lender, which he wouldn't have incurred with LBS. He wanted to be compensated for this, and for the time spent on the application process.

One of our Investigators looked into Mr L's complaint and thought LBS had fairly applied its lending criteria. Mr L didn't agree. He said that he hadn't specified where he would be buying a property. He provided evidence of properties for sale under the amount of equity available to him based on the valuation of the property. Mr L asked for the complaint to be reviewed by an Ombudsman, so it has been passed to me to make a 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.

As a starting point, it's important to establish that lenders are entitled to set their own lending criteria. It is LBS' decision what these criteria are, based on its commercial judgement and attitude to risk. Lending is never guaranteed, and it is not for me to interfere with how LBS decides to set when it is or isn't acceptable for it to lend. But I do need to be satisfied that it has applied its criteria fairly and has given Mr L's application fair consideration.

Under the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) in order for a lender to accept an interest-only application it must have evidence that the consumer will have a clearly understood and credible repayment strategy in place. Where this repayment strategy is through the sale of the mortgaged property, the lender needs to consider whether there will be sufficient funds to repay the mortgage *and* allow the consumer to purchase a cheaper property to live in.

LBS has provided our Service with a copy of its lending criteria which I've reviewed. In order to satisfy itself that there will be sufficient funds to repay the mortgage and purchase a new property, it has set thresholds for the minimum equity amount needed to purchase a property in different regions. Again, this is LBS' commercial decision, and it is entitled to set its own criteria for this.

LBS asks consumers intending to repay their interest-only mortgage through the sale of the mortgaged property, to complete a declaration which confirms the area the new property would be purchased in.

I've been provided with two versions of Mr L's declaration. One version, provided by Mr L, says under 'Future Property Intentions': *"There is £200,000 equity – will buy another property"*. This copy is not signed or dated by the broker. LBS has provided a copy of the declaration uploaded by the broker to LBS' portal, which is the copy LBS relied on. This copy says under 'Future Property Intentions': *"There is £200,000 equity – will buy another property – in Sutton"*. This copy was signed and dated by Mr L's broker. On the balance of probabilities, I think it is likely the intended location was added to the declaration before the broker signed and submitted it to LBS. It's not clear whether Mr L was consulted about that before the form was submitted or not.

The declaration requires the location of the intended future property to be confirmed, so I don't consider LBS would have accepted a declaration without the area being specified. And I don't think it was unreasonable for LBS to rely on the declaration provided by the broker, or to accept that the information given by Mr L's broker on his behalf was accurate.

Based on the information in the declaration, LBS wasn't satisfied that the equity available to Mr L after he repaid the mortgage would meet its minimum equity threshold for him to purchase a new property in that area. I appreciate Mr L has provided evidence of properties for sale within the equity available to him, but it isn't guaranteed properties in this range would still be available in future, and it is for LBS to decide its criteria for when it is acceptable for it to lend. LBS has provided our Service with evidence of the equity threshold that needs to be met for the area specified, and I'm satisfied that Mr L's application didn't meet it. Therefore, it wasn't unreasonable for LBS to decline Mr L's application as it didn't meet its lending criteria.

Mr L has said the product literature he was provided with was mis-leading as it didn't specify that the location of the property would be taken into account. I agree with Mr L that this wasn't specified, but I don't think this was inherently misleading. I don't think it was unreasonable for LBS not to go into that level of detail about how it determines if there is sufficient equity to purchase another property within its product literature and I don't think it has resulted in any unfairness to Mr L. The criteria are set out in detail in its lending policies and LBS isn't obliged to share this publicly.

I understand Mr L feels he has incurred costs he shouldn't have by having to go to another lender. But even if I were to say the product literature was misleading – which I don't think it was – this wouldn't change the outcome of his application as it fairly didn't meet LBS' lending criteria. And it was entitled to decide not to lend to him on that basis. So, Mr L would always have needed to apply elsewhere and incur any costs associated with other lenders.

I appreciate that this won't be the outcome Mr L was hoping for, and I'm sorry to disappoint him. But I consider LBS gave fair consideration to his application and it didn't act unfairly or unreasonably in declining it.

**My final decision**

My final decision is that I don't uphold Mr L's complaint about Leeds Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 October 2025.

Emma Taskas  
**Ombudsman**