

The complaint

Mr and Mrs L complain that an appointed representative of Mortgage Next Network Limited ("MNN") mis-sold their mortgage.

What happened

In 2019 Mr and Mrs L got mortgage advice from a mortgage broker in MNN's network as they wanted to buy a new build property. They wanted a repayment mortgage with an initial five-year fixed interest rate. The broker recommended they got a mortgage with a business I'll refer to as "B". The interest rate on that mortgage was 1.85% until October 2024.

Mr and Mrs L accepted that advice and got a mortgage offer from B in October 2019. On the first page of the offer it said the offer was based on B's "Help to Buy – 5 Yr Fixed 1.8% (DW60) mortgage product"

On the third page of the mortgage offer, in the "Main Features of the Loan" section it said:

"This is a repayment loan of £300,745.00 on a fixed rate that will apply from completion until 31 October 2024."

There was a delay to Mr and Mrs L's property being built, so they didn't complete their mortgage until October 2020. Mr and Mrs L's mortgage offer was extended twice in the period before they completed the mortgage. The broker helped them extend their mortgage offer on each of those occasions.

Mr and Mrs L said they thought the 1.85% interest rate was fixed until October 2025 as they'd taken out a five-year fixed interest rate product. But in 2024 they realised that wasn't the case. When their initial fixed interest rate period ended they took out a new fixed interest rate product in 2024 at 3.96% - something they say has cost them an extra £300 a month.

Mr and Mrs L say that MNN didn't tell them that the five-year interest fixed interest rate period effectively ran from the date the mortgage offer was issued, not the date they completed their mortgage. They say that if they'd been told that and properly advised about their options they would have acted differently in the period before their mortgage offer expired.

Mr and Mrs L say they've spoken to B on a number of occasions and have been assured that they could have amended the mortgage before their mortgage offer expired by way of a post contract variation. They say they would've been willing to agree to a higher interest rate if that's what it took for them to lock in a five-year fixed interest rate period. But the broker never suggested that to them.

MNN say the only way Mr and Mrs L could have amended the fixed interest rate period (beyond October 2024) would have involved them making a new mortgage application – something they weren't prepared to do. In its detailed final response MNN said B had been consulted about that. MNN didn't think it did anything wrong on that point.

Mr and Mrs L remained unhappy, so they complained to the Financial Ombudsman Service.

Our investigator looked into what happened. He said the October 2019 mortgage said the fixed interest rate would expire on 31 October 2024. So he was satisfied that the end of the fixed rate period was clearly outlined and wasn't dependant on when the mortgage was completed.

Our investigator appreciated what Mr L has said about what B told him. However, having considered the available evidence, he was satisfied that B would have required a new mortgage application from Mr and Mrs L to make the changes they wanted to the mortgage in/before October 2020. He wasn't persuaded that Mr and Mrs L would have gone through a whole new application to get a higher initial interest rate.

Mr and Mrs L also complained that MNN didn't record their concerns as a complaint as early as it should have done. That resulted in a delay because when they contacted the Financial Ombudsman Service, MNN offered Mr and Mrs L £100 compensation for that after our service got involved in this complaint. Our investigator thought that was a fair and reasonable amount to cover them for that aspect of the complaint.

Mr and Mrs L disagreed with our investigator's findings, so this complaint has been referred to me for a final decision. Mr L made a number of points I will consider below.

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.

Having done so, I've reached broadly the same conclusion as our investigator. I'll explain why.

Mr and Mrs L have said B's 2019 mortgage offer was ambiguous/contradictory in relation to the five-year fixed interest rate product. They say B agreed it was when they spoke to it. I appreciate their point of view, but I'm satisfied the expiry date of the initial fixed interest period was clear – the offer said the fixed rate expired on 31 October 2024. In effect the five-year fixed interest period ran from the date of the offer, even though repayments on the loan didn't start until after completion of the mortgage.

It's clear Mr and Mrs L thought the five-year fixed interest period would end five years after the completion of their mortgage. They think MNN's broker should have made that clear to them.

MNN's role was to consider Mr and Mrs L's circumstances and advise them about available mortgages that were suitable for their needs. There's no dispute that Mr and Mrs L told MNN that they wanted a five-year fixed interest rate product, so I think MNN's broker should have made it clear to them that the five-year fixed rate interest rate period expired on 31 October 2024 (around five years from when the mortgage offer was made) even though it applied from completion. Mr and Mrs L were first time buyers, so they had little/no experience of mortgages. So, I think it would've been helpful for that to have been pointed out to them.

Having said that, Mr and Mrs L were set a copy of B's mortgage offer. So, I can't say they weren't made aware of its terms. I would expect them to look at B's offer and approach MNN if they weren't sure about something set out in it, or thought it was ambiguous. The information I've been provided with shows that Mr L is legally trained, so I'd expect him to be more familiar with documentation than the average first time buyer.

Mr and Mrs L have said that they would've been willing to accept a higher upfront interest rate on their mortgage in order to secure a five-year fixed interest rate period. They've said they've spoken to B on a number of occasions (on the phone and on B's online chat) and have been told that they could've changed the interest rate on their mortgage before the mortgage offer expired in October 2020. They can't understand why MNN didn't suggest that to them and think MNN gave them information that contradicted what B told them.

I think this point gets to the heart of the misunderstanding in this complaint. Mr and Mrs L are correct that the *interest rate* on their mortgage could've been amended before their mortgage offer expired in October 2020. That could've happened by way of a post contract variation as they've said. But they wanted to do more than that in this case. Mr and Mrs L wanted to ensure that they had a full five-year fixed interest period on their mortgage from the date of completion/October 2020. In other words, they wanted to extend the fixed interest period on their mortgage from October 2024 to October 2025. To do that Mr and Mrs L would've needed to extend the fixed interest period set out in the mortgage offer. If the interest rate they'd accepted in 2019 was no longer available when they wanted to do that they would have also needed to change the interest rate of their mortgage.

It's clear from what has been said and provided that Mr and Mrs L didn't realise they needed to do that. In the circumstances I think it's likely that they didn't make that clear when they spoke to Barclays on the phone. I haven't been provided with a recording of the phone calls Mr and Mrs L say they had with B about this matter. But I've considered the online chat Mr L had with B. Mr L has provided us with screenshots of that chat. I can see from that Mr L asked Barclays if a different interest rate could be agreed without a new mortgage application in cases where the previous mortgage offer hadn't expired. B said "*if it was just a rate change* a post contract variation is done by the mortgage adviser who changes the terms of the original application" [my emphasis].

I'm not surprised by this. In my experience lenders will not extend the fixed interest period set out in a mortgage offer by way of a post contract variation. To do that customers would have needed to make a new mortgage application. MNN has said that B told it that was the case here.

So, taking the matter as a whole, I'm persuaded that Mr and Mrs L would've needed to make a new mortgage application if they wanted to ensure they got a mortgage with a fixed interest period that expired in October 2025. Having considered the available evidence and bearing in mind that Mr and Mrs L were keen to purchase their property in October 2020 after delays due to the covid-19 pandemic, I think it's unlikely that they would have done that. A new mortgage application would have taken time delaying their house purchase further, and the outcome would've been uncertain. It's also possible that they would have had to accept a higher initial interest rate, increasing their upfront costs. I know they've said they would've been willing to do that to lock in a five-year fixed interest period on their mortgage, but as I've said above I'm satisfied they couldn't have done that without making a new mortgage application.

So, while I think it would have been helpful for MNN's broker to have made it clear that the five-year fixed rate interest rate period set out in B's mortgage offer expired in October 2024, I don't think such a discussion would have affected Mr and Mrs L's overall position. I'm sure they would have had less of a shock in 2024 when they realised their fixed interest rate period was coming to an end. But on balance, I don't think they would have acted differently in 2020 beyond exploring their options further.

Conclusion and customer service issues

I appreciate that Mr and Mrs L are likely to be disappointed by this decision. But taking the

matter as a whole, I don't think MNN needs to do more to resolve this complaint. That's because I don't think it's fair and reasonable to say that Mr and Mrs L would have acted to amend their mortgage offer in 2020 if MNN had done more to make it clear that the initial fixed interest period on their mortgage expired in October 2024.

For completeness here I'll also cover the customer service issues Mr and Mrs L have complained about. They've said that MNN's broker should have treated this matter as a complaint earlier. They say that by not doing that they had to wait eight weeks for MNN to provide a response to this complaint before the Financial Ombudsman Service could look into it. They also said they were confused that the response letter didn't come from MNN's broker. MNN has offered Mr and Mrs L £100 compensation for the distress and inconvenience caused by that. I think that's a fair and reasonable amount given the nature of this part of their complaint and the time they were affected.

Putting things right

To put matters right MNN should pay Mr and Mrs L the £100 compensation it has offered to resolve this complaint.

My final decision

My final decision is that Mortgage Next Network Limited should pay Mr and Mrs L the £100 it has offered to resolve this complaint, unless it has already done so.

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

Laura Forster
Ombudsman