

The complaint

K, a limited company, has complained about how its application for mortgage lending to Cumberland Building Society was handled and the delays in the process.

What happened

K had arranged finance to build two residential properties, which it intended to be used as holiday lets. By the middle of July 2024, the properties had been built and K sought advice from an independent mortgage broker to refinance the borrowing it had taken to complete the build.

K's broker asked some initial questions of Cumberland in the second half of July 2024, which it responded to a few days later. It was almost a month later that K's broker emailed Cumberland again, on 21 August 2024, telling it that K was interested in going ahead with an application. It confirmed that both properties were on the same property title and so they would be mortgaged together on one application. It asked Cumberland whether K would be able to split the title after completion at some point so that down the line it could sell the properties separately.

Cumberland responded the following day and said that was not a problem. It went on to confirm that if K preferred, the borrowing could be processed as two separate loans, which would make it easier if the title was to be split later. This was incorrect. Two mortgage applications were submitted on 29 August 2024.

On 2 October 2024 K's broker raised a complaint with Cumberland about the difficulties being experienced getting updates about the processing of the application. A conversation was had between Cumberland and K's broker on the same day, and a way forward agreed.

The properties were valued on 7 October 2024 and on 25 October 2024 Cumberland agreed to the lending and issued mortgage offers. It did so on the assumption that the title would be split before the mortgages completed. However, that was not K's plan, and the assumption was not documented on the offers.

The title deeds were given to K's solicitors on 11 November 2024, and it subsequently raised concerns about the arrangements – it explained to K on 22 November 2024 that two separate mortgages could not be set up because there was only one property title. K's directors were unhappy with this advice as it meant that both properties would have to be on one mortgage.

As such, the two applications were condensed into a single application, with both properties being held as security. Cumberland reduced the product fee by 1% to apologise for the mistake that had been made in saying that two mortgages could be issued before the title was split. The revised application required the properties to be revalued together. This was done and the combined value was lower than the sum of the separate valuations. This caused Cumberland to reduce the amount it was willing to lend – a new offer was issued on 13 December 2024. The mortgage completed on 20 December 2024.

K's directors complained to us about what had happened in February 2025. The complaint covered the entire application process, not just the issues that had been raised with Cumberland previously. We told Cumberland about the complaint, and it said it would investigate and issue a response.

Cumberland upheld the complaint in part in a letter of 28 April 2025. It accepted that it had given K's broker incorrect information in August 2024 when it said it could give separate mortgages for the two properties. Cumberland calculated that this had led to 21 working days of delay and so it said it would reimburse slightly over £3,000 of interest that K had paid to the previous lender. In addition, it reimbursed £900 of fees that K had paid its solicitors. Cumberland also offered £1,500 compensation for the inconvenience and distress that had been caused to K and its directors. As for the suitability of the mortgage K ended up with, it declined the complaint as it had not made any recommendations about what mortgage K should take out.

K confirmed it was not satisfied with the offer that had been made and so one of our Investigators considered the complaint. He concluded that but for the mistake by Cumberland in July 2024 and delays it later caused, it was likely that a single mortgage would have been applied for and that it would likely have been advanced on 25 October 2024. As such, the Investigator recommended that Cumberland refund the difference between the interest K had paid to the development loan between 25 October and 20 December 2024 and what it would have paid on the mortgage, plus simple interest at 8% per annum.

Cumberland accepted the Investigator's conclusions. K did not and asked that the complaint be referred to an Ombudsman for a final decision. It highlighted that the need to split the property title had not been a condition when the original applications had been accepted and offered on. K explained that having two mortgages would mean that it could sell one of the properties and only incur an ERC on that mortgage, whereas with the one mortgage, it would have to re-mortgage the property they wanted to keep (with associated costs) and pay the ERC on the whole amount of the mortgage. It had been left with no choice, due to the delays already encountered, other than to accept the single mortgage.

K highlighted that Cumberland had been responsible for errors and mistakes and hadn't communicated effectively. It said that it believed that had these errors not happened, the mortgage would have completed earlier than the Investigator had concluded it would have. It said that had the mortgage gone through earlier than it did, it could have rented the properties out – they were unable to do so until the re-mortgage because the existing lender wouldn't allow it. K also reiterated that it as a business had spent more time on the application than it should have needed to and it had also had to spend time dealing with the complaint – that time had cost it over £4,000.

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.

Cumberland has accepted that it caused delays in this case both administratively and that it gave K's broker incorrect information about being willing to agree separate mortgages if the property title had not been split. As such, I don't need to consider if it did anything wrong. What I need to consider is what, reasonably, Cumberland needs to do to put things right. When we look at redress, we will try to place a complainant in as close a position as possible to that which it would have been in, but for the mistake.

K has explained why it wanted separate mortgages on the two properties it had built. I accept that this was the case, and the reasons are very logical. However, it would never have been possible, either with Cumberland or another lender unless the title had been split first. Had Cumberland not made the mistake it did in August 2024, K would have been told that it either needed to split the title so that it was complete when the mortgages completed, or it would have to take a single mortgage with both properties as security.

At the time the initial enquiries were made to Cumberland, it appears that K was thinking about the latter route. I am also aware that splitting a property title is something that takes a considerable amount of time to go through at Land Registry and the ongoing cost of the development loan was clearly something that was of concern to K. So I think that had Cumberland not made the mistake it did, K would most likely have applied for a single mortgage covering both properties. I can't know whether it would have applied for the mortgage with Cumberland, but I am satisfied that it would always have had one mortgage covering the two properties.

The Investigator concluded that had the mistakes by Cumberland not happened, the mortgage would have been able to complete eight weeks after the application. Cumberland has accepted that opinion, but K did not. It considers that the mortgage would have completed earlier. In general, it will take six to eight weeks for a mortgage application to progress to offer stage. There will then be additional time for completion to take place, although as K already owned the property in this case that additional time would have been minimal.

It is not possible to know the exact day when the mortgage offer would have gone out on this case. However, having looked at what happened and taking account of the delays on Cumberland's part, I am satisfied that the estimate of 25 October 2024 for completion of the mortgage is a reasonable one. As such, I am satisfied that the redress paid by Cumberland should be based on this assumption.

Cumberland has offered to reimburse the additional solicitors' fees K paid due to the second aborted application, a refund of interest and some compensation for the inconvenience its mistakes put K to. In addition, Cumberland also reduced the product fee by almost £2,000 as compensation for the mistake about the twin mortgages.

I have considered these offers carefully and I am satisfied that the offer relating to the solicitors' fees is appropriate. As is the total amount of almost £3,500 Cumberland has effectively offered/paid for the inconvenience K suffered. I would at this point highlight that as K is a limited company, it is as an entity unable to suffer upset and we can't make an award for any upset its directors may have experienced.

I do not, however, consider that the interest reimbursement Cumberland has offered is quite right. As the Investigator explained, this aspect of the redress should be calculated based on the difference between the amount of interest K paid on the existing loan and that which it should have paid on the single mortgage during the relevant period.

K has said that Cumberland should be responsible for the cost of the additional borrowing they had to take out because Cumberland was not willing to lend it the amount it wanted when the properties were revalued for the single mortgage. This is not a cost that Cumberland can reasonably be expected to pay. As I have explained above, the mortgage K has is the one that it always would have had. The fact that the two properties valued together for a single mortgage had a lower value than when they were valued as completely separate properties was not due to an error on Cumberland's part. So the fact that K borrowed elsewhere to cover the difference, is not something that I can hold Cumberland responsible for.

In addition, K has said that it believes that had the mortgage completed earlier it could have rented the property out sooner. I accept that is possible, but equally, it might not have been, given the time of year. When loss of rent claims are considered, evidence needs to be provided that rent would have been received during the relevant period. In this case, K has not provided any evidence to support its claim that it would have been able to rent the properties out in November and December 2024 and, because the properties were new there is no rental history that can be relied on. I don't consider it would be reasonable for me to require Cumberland to make a payment in this regard.

K has also asked that it be compensated at an hourly rate of £35 for the time the directors spent dealing with the mortgage application and the complaint. In general, we don't make awards for individuals time spent dealing with financial matters or in making a complaint. I would also comment that the amount of time K has claimed for seems to include all the time it put into the applications, some of which would always have been necessary, whether Cumberland had made mistakes or not. I am not persuaded that it would be reasonable to ask Cumberland to make a payment to K in this regard.

Putting things right

In addition to the amounts already offered and paid by Cumberland for legal costs and compensation, it should calculate the difference in interest between the existing loan and new mortgage, for the amount of the mortgage, between 25 October and 20 December 2024. This amount should be paid to K and interest should be added at 8% simple from the date payments were made to the existing loan to the date of settlement. This sum is to replace the offer that Cumberland made in relation to interest in its final response letter, not in addition to it.

My final decision

My final decision is that I uphold this complaint. In full and final settlement of the complaint Cumberland Building Society should take the actions detailed above in 'putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask K to accept or reject my decision before 16 October 2025.

Derry Baxter
Ombudsman