

The complaint

Mrs C and Mr O complain about mortgage advice they received from an appointed representative of The Right Mortgage Limited (TRM). They say it failed to arrange the right amount of borrowing, leaving them with a substantial shortfall when the mortgage completed.

What happened

In 2024, Mrs C and Mr O decided to buy a property and approached TRM to arrange a mortgage.

In March 2024, Mrs C and Mr O asked TRM to arrange a mortgage on a property they had found and wanted to buy. They said they had a deposit of £200,000 and wanted to raise a mortgage for the balance – with the borrowing to cover not just the purchase price but also associated costs such as stamp duty.

Unfortunately their purchase fell through, but in June Mrs C and Mr O found another property and returned to TRM.

TRM arranged a mortgage with a lender I'll call H. The purchase price of the property was £620,000 and the mortgage was for £435,699. This left a balance of £184,301 to make up to cover the purchase price, though Mrs C and Mr O say they didn't realise this at the time.

The mortgage proceeded to completion. Taking into account stamp duty, legal and other costs, Mrs C and Mr O were left with a shortfall of almost £14,000.

TRM said it understood that Mrs C and Mr O had £200,000 to use as a deposit – which, applying £184,301 to the purchase price, would have left them enough to cover the other costs. But Mrs C and Mr O said that when they asked it to arrange the mortgage in June, they told TRM that this time their deposit was £185,000. They say they told TRM that they still wanted the mortgage to cover the associated costs.

Mrs C and Mr O complained that TRM had failed to follow their instructions and had arranged a mortgage for less than they needed. TRM said it had acted on what it understood they wanted, and that it was Mrs C and Mr O's responsibility to check the lender's offer to make sure it covered their requirements before accepting it.

Mrs C and Mr O brought their complaint to us. Our investigator thought that Mrs C and Mr O's instructions to TRM in June could have been clearer, but TRM should have clarified their intentions to make sure it understood their requirements. Ultimately TRM was responsible for making sure it arranged the mortgage Mrs C and Mr O wanted and which was suitable for their needs and circumstances. However, he said that Mrs C and Mr O were able to make up the shortfall from their savings, so he didn't think there was any financial loss. He said that TRM should pay them £400 compensation, and he said that if Mrs C and Mr O wanted to apply to the lender for a further advance to cover the shortfall and replace their savings, it should cover the costs of that application.

Mrs C and Mr O didn't agree with the investigator. They said that while they had been able to cover the shortfall from savings, that money was to cover unexpected expenses (some of which they have since had to cover) with any left over to be invested. Instead of investing anything left over, they have had to withdraw from their investments to cover additional expenses. They said that buying a house is already a stressful time and this made things much worse. They said that TRM had rejected their complaint, dragging things out for longer. And while it had offered to arrange them a loan, it hadn't given them any information or details about what that would cost. And they said they had paid fees to TRM but not got the service they wanted.

TRM said it didn't agree it had made an error. It said that it believed it had understood Mrs C and Mr O's instructions so had no need to clarify them. It arranged a mortgage in line with that understanding and this was not challenged by Mrs C and Mr O at the time.

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.

The advice letter for the first mortgage said:

"You have access to £200,000 which you wish to use to cover your deposit and fees... [I] can summarise as follows:

Purchase price	£635,000
Deposit	£175,000
Mortgage amount	£460,000"

I think it was clear at this point that Mrs C and Mr O wanted the mortgage balance plus £200,000 to cover both the purchase price and also associated costs such as stamp duty and legal fees. It's for that reason the advice letter refers to "£200,000 ... to cover your deposit and fees" and "Deposit £175,000".

This purchase fell through and Mrs C and Mr O resumed looking for a property. When Mrs C and Mr O found the second property, they emailed TRM on 24 June 2024. The email said

"Essentially we'd like to reduce the deposit to £185,000 (still to cover costs). Hoping this doesn't affect the LTV too much, but also noting the savings on price and stamp [duty] given the new purchase price of £620,000."

TRM replied saying it would proceed "based on a purchase price of £620,000 and a new loan amount of £435,000." It asked if there were any other changes from the previous advice, and Mrs C and Mr O replied to say there were "no changes other than the point that we are holding back £15k from the deposit. But it looks like that has been factored into your figures already."

It could potentially be understood from this that Mrs C and Mr O wanted to put £185,000 towards the purchase price – borrowing £620,000 minus £185,000. That's what TRM arranged for them. But I don't think that's the obvious interpretation of what they said. If they were referring only to the amount put to the purchase price, then the deposit wouldn't

“reduce” to £185,000, it would increase from £175,000 last time. And Mrs C and Mr O said that the £185,000 was also required “still to cover costs”.

TRM then confirmed its understanding that it would arrange a £435,000 mortgage (so using the full £185,000 towards the purchase price) in the email I’ve quoted above. It also sent them a letter confirming what would be applied for – though (unlike in March) this letter didn’t confirm any advice or break the figures down.

It’s fair to say that following this Mrs C and Mr O didn’t realise that the mortgage didn’t meet their requirements. However, I don’t think that’s enough to say that TRM isn’t responsible for arranging the wrong amount. This is a relatively complex situation and Mrs C and Mr O were relying on TRM, as the professional party and specialist mortgage adviser, to understand their requirements and arrange a mortgage that met them. In the end, it didn’t do that. I think the primary responsibility lies with TRM misunderstanding – or failing to clarify – Mrs C and Mr O’s requirements rather than with Mrs C and Mr O for not realising it had done so.

As a responsible mortgage broker, TRM was required to understand Mrs C and Mr O’s needs and circumstances, recommend a mortgage appropriate for them, and arrange a mortgage that met their needs. I’m satisfied it didn’t do that, and so I uphold this complaint.

Putting things right

I’ve carefully considered everything Mrs C and Mr O have said about this. I don’t think it would be fair to require TRM to pay them the shortfall – because if nothing had gone wrong they would have to have borrowed this money, with a bigger mortgage. So it wouldn’t be fair to require TRM simply to pay it to them.

I’ve also thought about what Mrs C and Mr O have said about their financial losses – in particular, what they say are their investment losses. But I’m not persuaded there is any financial loss for which TRM should compensate them. They had the funds needed to meet the shortfall in savings, not in investments. Had nothing gone wrong, they would have borrowed the shortfall funds instead – and the cost of borrowing would have been higher than the return on savings.

Mrs C and Mr O say that once they’d met other expenses they would then have invested any surplus with higher returns. But given what they’ve said about the other expenses they’ve paid, they wouldn’t have been in a position to know what surplus they were left with or invest it immediately on completion of the mortgage – that would only become clear some weeks or months later. Investments have short-term volatility. It’s likely that the returns from investment would be higher than savings, and even higher than the costs of mortgage borrowing, over the long term. But given the uncertainty about how much they would be able to invest, and when, and given it’s only a few months since that would have happened, I’m not persuaded it’s more likely than not that there would have been returns that exceed the cost of borrowing the funds since the mortgage completed.

I agree, however, that Mrs C and Mr O should be given the chance of raising those funds now, to spend or invest as they had originally planned. Now that six months have passed since the mortgage completed, their lender will allow applications for a further advance.

Provided Mrs C and Mr O ask TRM to do so within six weeks of the date they accept my final decision, if they do, TRM should apply to the lender for a further advance of the amount of the shortfall. In doing so TRM should not charge for its services, and it should cover any other costs associated with the application, including lender and any legal fees. If the interest rate on the further advance is higher than the interest rate on the mortgage borrowing, TRM should also pay the difference between interest charged for the duration of the fixed rate

period on the further borrowing (or, if the lender doesn't offer fixed rates on further advances, for the duration of the fixed rate on the main mortgage).

I also agree with our investigator that TRM should pay £400 compensation for the distress and inconvenience caused to Mrs C and Mr O. That reflects the fact that this was a one-off error, but one with some lasting consequences and which came at what was already a stressful time for them.

But I don't think it would be fair to require TRM to refund its advice fee. Although the amount it arranged wasn't correct, TRM did arrange a mortgage for Mrs C and Mr O that allowed them to purchase the property they wanted. And my direction to arrange a further advance puts right the discrepancy in the mortgage balance – if Mrs C and Mr O choose to take up that option.

My final decision

My final decision is that I uphold this complaint, and direct The Right Mortgage Limited to:

- Pay Mrs C and Mr O £400 compensation; and
- Provided Mrs C and Mr O instruct it to do so within six weeks of the date they accept this decision, if they do:
 - Apply for and arrange a further advance with the same lender for the amount of the mortgage shortfall.
 - Not charge Mrs C and Mr O for its services in doing so, and cover any fees charged by the lender and related costs such as legal fees (if necessary).
 - If the interest rate on the further advance is higher than the interest rate on the mortgage, pay Mrs C and Mr O the difference between interest that will be charged on the further advance and interest that would have been charged on the same amount over the same duration if the borrowing had been at the mortgage rate. If the further advance is on a fixed rate, the duration of the calculation should run until the end of the further advance fixed rate. If the lender does not offer fixed rates for further advances and the further advance is at its standard rate, the duration of the calculation should run until the end of the fixed rate on the mortgage.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr O to accept or reject my decision before 26 August 2025.

Simon Pugh
Ombudsman