

The complaint

Miss H and Miss M complain that Wave Lending Limited mis-sold them an unaffordable buy-to-let mortgage in 2007.

What happened

Miss H and Miss M took out an interest-only buy-to-let mortgage with Wave in 2007 to buy a new-build property. They did so on the advice of an independent broker. They borrowed £204,850 plus fees over a term of 25 years against a property valued at £241,000.

In November 2024 Miss H and Miss M made a complaint. They said there were mistakes and omissions in Wave's assessment of their mortgage application in 2007. They said they had only recently realised this after receiving Wave's response to a subject access request, and they now realised that Wave should never have lent them the mortgage in the first place.

Wave said that the broker who had advised Miss H and Miss M about the mortgage was responsible for the sale, and Miss H and Miss M had self-certified the information submitted on their mortgage application. It considered it had done nothing wrong. It also said it doesn't offer new interest rate products but it could look into what it could do to support Miss H and Miss M if they were struggling to afford the mortgage payments, but it first needed to understand their financial situation.

Miss H and Miss M referred their complaint to us. Our Investigator didn't recommend that the complaint should be upheld. Miss H and Miss M didn't accept that conclusion and asked for an Ombudsman's review.

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.

Miss H and Miss M have given a number of reasons why they consider Wave's lending decision was flawed, and I've thought about all of them very carefully. In brief summary, they have said that the rental income from the property wasn't enough to cover the monthly mortgage payments from the outset, the affordability of the mortgage wasn't properly assessed, the property valuation wasn't done properly, and there are items missing from Wave's underwriting checklist.

Miss H and Miss M have also explained why they consider Wave's decision to lend them the mortgage gave rise to lasting unfairness. The property has lost them money every month since they bought it and is in negative equity, and they have also suffered personal harm because despite having separated in 2008 they remain financially linked by this mortgage.

Wave should only have lent the mortgage if it was responsible to do so, and I would expect it to have considered the expected rental income from the property as part of its assessment. Its records show that it did that. I can understand Miss H's and Miss M's concern that it knew

from the start that the expected monthly rent wouldn't cover the monthly mortgage payments – the expected rental income was some way short of that, without allowing for the other costs of running and maintaining a rental property and gaps between tenancies. Miss H and Miss M did however both also have income from employment and they had another rental property, which Wave also considered.

I also have to bear in mind that Miss H and Miss M knew what the expected rental income was and how much the mortgage payments were. They still decided to go ahead with the purchase and the mortgage, on the advice of an independent broker. It's unfortunate that the property later fell in value, but that was down to market conditions rather than anything Wave did wrong. Wave was entitled to rely on the valuer's report in making its lending decision. Miss H and Miss M were not – it was for them to arrange their own valuation if they wanted one.

In deciding this complaint I must consider all the circumstances; I can't consider what happened in 2007 in isolation. What has happened in the years since is also a relevant consideration in deciding whether Wave's decision to lend led to lasting unfairness in the relationship between it and Miss H and Miss M which it should now fairly put right. I must consider all matters relevant to the relationship between Wave and Miss H and Miss M. Those matters include Miss H's and Miss M's conduct and what steps they took or didn't take to mitigate any unfairness.

Miss H and Miss M took out this mortgage more than 15 years before they made a complaint about Wave's decision to lend it to them. They knew from the start that the rental income didn't cover the mortgage and the other costs of running the property. They knew what the monthly rental income was and what the monthly mortgage payments were. They didn't need to see the documents Wave provided in response to their subject access request to know either of those things. They knew, more than 15 years before they made a complaint, that they were losing money on the property every month.

This leads me to conclude that Miss H and Miss M had the opportunity to mitigate or resolve any unfairness many years ago, by deciding no longer to keep a loss-making property, by remortgaging to another lender offering lower interest rates if they were able to do so, or by making a complaint if they thought Wave had treated them unfairly by lending them an unaffordable mortgage. The purchase and letting of the property was a business venture and Miss H and Miss M were responsible for making decisions about how to run that business – including their original decision to buy the property in 2007.

In all the circumstances, even if I were to conclude that Wave shouldn't have lent or that it should have carried out further checks before doing so, Miss H's and Miss M's failure to take steps to mitigate any unfairness leads me to conclude that it wouldn't be fair and reasonable for me to require Wave to compensate them for its lending decision now. I don't consider that Wave's decision to lend them the mortgage resulted in the relationship between them and the lender being unfair now.

I realise that Miss H and Miss M are in a difficult position given that the property is in negative equity, it continues to be loss-making, and they have said they can't afford the monthly mortgage payments. Wave has said it can see what it can do to help if Miss H and Miss M are struggling with the mortgage payments, and I encourage them to contact it if they are still having difficulty. But for the reasons I've explained, while I realise this isn't the outcome Miss H and Miss M were hoping for, I don't uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Miss M to accept or reject my decision before 7 January 2026.

Janet Millington
Ombudsman