

The complaint

Miss P is unhappy with how Personal Touch Financial Services Limited trading as PRIMIS Mortgage Network (PRIMIS) have dealt with the application for a new mortgage.

What happened

The background is well known to both parties so I won't be going into the full detail here, however I will explain what has happened and how this has affected Miss P.

Miss P contacted PRIMIS in May 2023 to discuss her options on purchasing a new property which I will name as 'property 2'. She already lived in a property which I will call 'property 1' and had a mortgage on this property with a lender who I will refer to for ease as 'mortgage 1'. This mortgage had an outstanding balance of approximately £165,000 and this property also had an additional charge on it which was held by a shared equity lender in relation to Miss P's help to buy (HTB) loan which had an outstanding balance of around £50,000.

It was agreed that Miss P would port the mortgage from lender 1 to the new property and also take out a new buy to let (BTL) mortgage (mortgage 2) which would be secured on property 1 which was to fund the redemption of mortgage 1 and the HTB loan.

The new mortgage – for property 2 – completed towards the end of September 2023 and mortgage 3, which was the BTL which was intended to be used to redeem the HTB loan completed shortly after. It then came to light that the funds released for mortgage 3 were only enough to redeem the HTB loan but not mortgage 1 – which had the outstanding balance of £165,000. As a result of this, Miss P didn't end up with two mortgages which is what was meant to happen, but three.

The lender for mortgage 1 and the lender for mortgage 3 both agreed to convert both mortgages from repayment to interest only in order to help out Miss P. The lender for mortgage 3 also agreed to change its first charge over property 1 to a second legal charge until a solution could be reached.

The lender for mortgage 3 said they were not able to provide Miss P with any new lending to help her redeem mortgage 1. They said that had the application of been keyed correctly at the time, they would have declined the mortgage 3 application as it wasn't in line with their lending criteria.

Miss P has been left in an extremely difficult position where she has had to manage three mortgages. Miss P doesn't now know whether to sell property 1 or refinance mortgage 3. She said this is stretching her finances a great deal.

Miss P has now got tenants in property 1 and she gets £1,150 per month in rental income. But this hasn't been enough to pay the entire mortgage and it's leaving her short by around £400 per month. She said she has been getting help from family and using her credit cards to try and pay this.

PRIMIS sent Miss P a final response letter in January 2024 where they said that there was a mis-calculation which had left an outstanding balance of £165,000 owing. They offered to pay Miss P £1,000 for the distress and inconvenience caused which they later increased to

£1,500. They also agreed to cover her financial loss but needed more information from Miss P before they could try to put things right.

Miss P brought her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. The investigator upheld the complaint as he felt that the errors made had a significant impact on Miss P.

He asked PRIMIS to do the following:

- Pay Miss P a refund based on all the interest she has paid on mortgage 2 from the date of its completion to the date of this complaint's settlement.
- Provide Miss P a period of 12 months grace from the date of the refund (the reflection period) to decide whether she wants to sell property 1 or property 2 and if she chooses to do so then she should put it on the market.
- Option A – if Miss P decides to sell or refinance then PRIMIS should:
 - Refund Miss P all the interest she has paid on either mortgage 1 or mortgage 2 (whichever is being redeemed) from the start of the reflection period until the date of completion on the property sale/refinancing or the end of the reflection period – whichever comes first; and
 - Cover any reasonable costs that Miss P incurs as a result of selling/refinancing the property, including any early repayment charges and conveyancing costs, but that stamp duty costs only being refunded if she decides to sell property 2.

Or

- Option B – if Miss P doesn't decide to sell or refinance then PRIMIS should:
 - Refund Miss P all the interest she has paid on mortgage 2 over the full course of the reflection period.
- Deduct Miss P's total rental earnings on property 1 and any compensation that may have been received from the conveyancing solicitor from the total refund owed to her.
- Pay Miss P £1,500 for the distress and inconvenience caused.

PRIMIS responded and made some further comments. In summary they said:

- They said they didn't entirely disagree but had some further thoughts. They said Miss P didn't engage with them from January to June 2024 which has compounded her situation. They said they would have expected Miss P to mitigate her loss and work with them to try and find a solution. They therefore believe the reflection period should only be for six months.
- They do not believe the redress can be calculated until Miss P has committed to the way forward.
- PRIMIS said they can arrange for Miss P to have mortgage advice from a different broker to weigh up her options. They believe she would have different options such as:
 - She would have stayed at property 1 and kept that mortgage. She would have been on a fixed rate of 2.08% which ended 31 July 2024 with a HTB loan of £50,000. If she decides to move back to this property, they need to understand what she would have done in July 2024. She would not have received the rental income so on that basis their redress would be based on the following:

Establish the interest rate that mortgage 1 would have had after July 2024, depending on choice regarding the HTB and pay/deduct any difference in interest, pay £4,250 stamp duty and pay interest on property 2 from

completion to sale. All rental income payments to be deducted. PRIMIS should be kept up to date with any sale information.

- Stay in property 2. They will require the date that tenants move out of property 1 and pay interest on property 1 from completion to sale. Deduct all rental payments received.
- Keep both properties which would mean Miss P will be in a better position due to the error as she could never have had both properties. So they would only pay £1,500, which they believe is fair.

Miss P also responded and made the following comments:

- The reason she didn't respond to PRIMIS was that she had a solicitor firm investigating what had happened which took some time where the outcome was they were not at fault.
- Miss P had previously attempted to sell her property in 2024 and was advised by several estate agents that she wouldn't be able to do this due to a nearby new estate and issues with her driveway. She said this put her in a challenging situation, so she had to find tenants for property 1.
- The only options given to her by PRIMIS were to sell the property or contact the lenders to sort the issue out.
- There is an additional loss in relation to the HTB loan. If she hadn't taken out the mortgage on property 2, and didn't move, she would have had more time on 0% interest on this loan which would then have increased to 1.26%. Instead, she has ended up with a mortgage with a 5% interest rate.
- Her house insurance claim rose significantly when she made a claim for legal support and assumes the premium will also increase.

As the case could not be agreed, it's been passed to me to decide.

My provisional decision

I issued a provisional decision on 24 September 2025. I said:

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As I have mentioned above, the details surrounding this case are well known to both parties and I don't think there is any dispute here that an error has been made, PRIMIS have accepted this as detailed in their final response letter and they have also agreed to pay Miss P £1,500 for the distress and inconvenience caused.

The issue to be considered here, is how to put things right for Miss P. Having considered everything carefully, I do agree with the outcome that has been reached by the investigator.

Miss P has – with no fault of her own – ended up with three mortgages instead of two. When the new borrowing was applied for, for property 2, there wasn't enough to repay the loan outstanding on property 1 which has left Miss P in a very difficult position.

Lender two has said that had the application of been completed correctly, they never would have agreed to lend to Miss P as they assumed that mortgage 1 was going to be repaid in full – but the plan was to port this over to the new property. So I understand what PRIMIS have said in that Miss P has now ended up with two properties which she may not have had.

But mortgage 2 has now completed and mortgage 1 is still outstanding. Miss P said she had no choice but to rent property 1 out to help with her finances and even then, the rental income wasn't enough to pay the outstanding balance.

Miss P has now ended up with a mortgage on property 1, a mortgage on property 2 and a mortgage for the HTB loan which was redeemed. She should only have had two mortgages but has ended up with three.

The lender who Miss P borrowed the money from for the redemption of the HTB loan has said that they would never have lent Miss P the money to repay the mortgage on property 1 in full, because it wouldn't have been affordable based on the fact that Miss P was also going to have a mortgage on property 2. This lender has agreed to move their first charge to a second charge to enable lender 1 to keep first charge on property 1.

Like I said, there is no doubt here that an error has been made and it's not going to be possible to put Miss P back in the position she would have been in. From looking at everything, she would never have been in a position where she would have been able to afford to have both properties – but she does.

I've thought about the comments that PRIMIS have made and the fact that they believe the reflection period should only be for six months, but I don't agree with this. I can see that they sent a letter out to Miss P in January 2024, and they've said that she didn't engage with them for around six months. But Miss P has explained why. She said she spoke to her solicitor and raised an investigation to try and understand what had happened and who was responsible – they said they weren't.

Even putting this aside, I don't think it's reasonable to say that the reflection period should only be for six months because of this. Miss P was put in a position that she never should have been put in. And while I appreciate that all parties were trying hard in the background to try and find a solution, there really wasn't one put in place. Everyone has acknowledged that this is an unusual and difficult situation which couldn't really be resolved. That said, I do think it was fair for PRIMIS to offer Miss P £1,500 for the distress and inconvenience caused and from what I can see, they did agree to offer redress for any financial loss – but just didn't know what that would look like. So it's reassuring to see that they have been open with this all the way through.

I've also thought about what PRIMIS have said in relation to how the redress will work if Miss P decides to keep both properties. They said that she would be in a better position so they will only pay £1,500. But I don't agree with this. She may end up with two properties, but she's been put in a position where her finances are massively stretched because of something that should never have happened. So I still think that PRIMIS should pay all the interest that Miss P has paid on mortgage 2 over the full course of the reflection period – if she doesn't decide to sell or refinance.

Ms P has explained that the rental income she received on property 1 wasn't enough to repay the mortgage CMP and that she was short by around £400 per month. She said she had to borrow money from friends and family and use her credit cards at times. I appreciate this was very difficult for her. Ms P has still maintained her CMP and even though it was a struggle for her, she did manage to find the difference in the payments, so she was able to pay what she needed to which in turn, was applied to the balance of the mortgage. But I do understand that this caused a great deal of stress and worry for her so I've thought about this in relation to the distress and inconvenience payment that PRIMIS said they would make. I think the amount of £1,500 takes this into account so I won't be asking PRIMIS to pay anymore than this or ask them to pay Ms P the difference in the rental income and the CMP that was due. I hope she understands my reasons for this.

I do accept that PRIMIS have said they can't sort out the redress until they know what Miss P decides to do, and I understand that. But that is why there is a reflection period for Miss P to decide what she wants to do. And my understanding is that she is now looking to sell property 1.

Miss P has also said that based on this error, she has ended up paying off the HTB loan and is now paying more interest than she would otherwise have done. But her intention from what I can see, was to always pay the HTB loan off because this is what she applied to do at the time. So she was always going to pay interest on that loan so I don't think I can reasonably ask PRIMIS to pay the difference on this portion.

Miss P has also mentioned that she has used the legal support from her insurance policy. From my knowledge, this doesn't mean that an insurance premium will increase as these are sometimes part of the insurance and not seen as a claim as such. It's difficult to conclude that Miss P's premium would not have increased and I'm not persuaded that using the legal service would have an impact on Miss P's insurance and it's known that premiums can increase regardless. So I won't be asking PRIMIS to take this into account.

When thinking about how to put things right, PRIMIS have said they would need to know what Miss P would have done had she decided to keep the mortgage on property 1 which had a rate ending in July 2024. We have asked Miss P what she would have done when her rate ended last year and she said she would have probably taken another two-year fixed rate as this is what she usually did. And if there was a product fee she would have added it to the loan.

Miss P has also said that having thought about what she would have done, she also may have tried to sell the property. It's difficult to say whether the sale would have gone through as Miss P has explained that she has tried to sell before but had issues and she wasn't able to. I think it's also worth bearing in mind that if she chose to sell and didn't go onto a new interest rate, she would have moved to a variable rate which would mean her payments were much higher. It's really difficult to know what would have happened but I think the best way forward is for PRIMIS to base this on what Miss P has said she will do regarding a new interest rate. PRIMIS will be able to look at the two-year rates that were available from the lender from August 2024 and base their calculations on that. They should take into account that Ms P would have gone for a product which had a fee and which would have been added to the loan. If they find it difficult to obtain that information, PRIMIS should let our investigator know what attempts they have made and we may be able to assist.

If Miss P decides to sell property 1, like she said she would, she will need to let PRIMIS know the date that the tenants have left so that they can factor that into their redress.

I know this isn't perfect but it's the closest way we can try and put Miss P back in the position she ought to have been in and I hope that we have found a way that works for both parties involved.

So I've had to think about what the best way is of putting Miss P back in the position had the error not occurred, in the most reasonable way possible. Having thought about all of that, I think the options given by the investigator are the fairest possible.

I think that PRIMIS should do the following:

- Pay Miss P a refund based on all the interest she has paid on mortgage 2 from the date of its completion to the date of this complaint's settlement.
- Provide Miss P a period of 12 months grace from the date of the refund (the reflection period) to decide whether she wants to sell property 1 or property 2

and if she chooses to do so then she should put it on the market.

- Option A – if Miss P decides to sell or refinance then PRIMIS should:
 - Refund Miss P all the interest she has paid on either mortgage 1 or mortgage 2 (whichever is being redeemed) from the start of the reflection period until the date of completion on the property sale/refinancing or the end of the reflection period – whichever comes first; and
 - Cover any reasonable costs that Miss P incurs as a result of selling/refinancing the property, including any early repayment charges and conveyancing costs, but that stamp duty costs only being refunded if she decides to sell property 2.

Or

- Option B – if Miss P doesn't decide to sell or refinance then PRIMIS should:
 - Refund Miss P all the interest she has paid on mortgage 2 over the full course of the reflection period.

Whichever option Miss P decides to take, PRIMIS should also do the following:

- Deduct Miss P's total rental earnings on property 1 and any compensation that may have been received from the conveyancing solicitor from the total refund owed to her.
- Pay Miss P £1,500 for the distress and inconvenience caused

Developments

PRIMIS responded to the provisional decision and asked for the following to be considered:

- Under option 1, where PRIMIS are to cover any reasonable costs for selling the property, PRIMIS asked that Miss P should keep them up to date with the sale of the property as they would expect her to actively sell it and it's not unreasonable for Miss P to provide them with updates.
- Where the Ombudsman said 'Pay Miss P a refund based on all of the interest Miss P has paid on mortgage 2 from the date of it's completion to the date of the complaint's settlement' – PRIMIS have asked for evidence from Miss P so they can calculate this.
- PRIMIS would also like to know what happens after the 12 month reflection period if Miss P hasn't made any progress. They would also expect Miss P to let them know when she has made a decision.

Miss P responded and said she has some other things she wanted me to consider with regards to tax, maintenance costs and stamp duty. She also mentioned her home insurance which she is paying around £40 per month.

She said that where she will get the interest paid back but the rent to be deducted, she will end up paying 40% tax on that, so she wanted that taken into consideration.

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 considered the comments made by both parties, I have no reason to depart from my provisional decision, but I will clarify the points that have been made above.

I do agree with PRIMIS that Miss P should keep them up to date with the sale of the property if this is still what she is planning to do. I think it would be sensible for Miss P to keep PRIMIS updated throughout the 12-month reflection period and as soon as she has made her decision (if it changes), then she should also let them know.

With regards to the 12-month reflection period, this is a period for Miss P to not only decide what she wants to do, but to put things in place so that she's not left in the position that she is now. If for whatever reason, Miss P hasn't made a decision and hasn't made any progress, then it's not fair that anything should fall to PRIMIS after that time. So while PRIMIS have initially made an error, it's not reasonable for this to go on longer than it needs to so Miss P will need to ensure that she uses this time to get things in order.

I do agree that Miss P will need to provide PRIMIS with evidence that may be required in order for PRIMIS to calculate any interest paid on mortgage 1 or 2, depending on what she intends to sell. This can be a statement or information from the lender which will confirm how much interest has been paid in order to calculate this for the refund.

Moving onto Miss P's brief comments, we asked her to clarify her tax position and we asked for a copy of her self-assessment tax return so that I could consider this point further. I also asked for some clarification and further information about maintenance charges as it wasn't clear what Miss P wanted us to take into account specifically. Miss P responded and said we could continue without taking these things into consideration as she was conscious it was taking too long for the information she needed to be sent to her from her accountant and wanted the case to progress.

I have already mentioned in my provisional decision that PRIMIS should refund any stamp duty paid if Miss P sells property 2 only. As this is the property that she wouldn't have ended up purchasing had things gone as they should have.

Both Miss P and PRIMIS should continue to engage with each other so that both parties are fully aware of what is going on in order to resolve this matter.

My final decision

For the reasons given above, I uphold this complaint and direct Personal Touch Financial Services Limited trading as PRIMIS Mortgage Network to:

- Pay Miss P a refund based on all the interest she has paid on mortgage 2 from the date of its completion to the date of this complaint's settlement.
- Provide Miss P with a period of 12 months grace from the date of the refund (the reflection period) to decide whether she wants to sell property 1 or property 2 and if she chooses to do so then she should put it on the market.
- Option A – if Miss P decides to sell or refinance then PRIMIS should:
 - Refund Miss P all the interest she has paid on either mortgage 1 or mortgage 2 (whichever is being redeemed) from the start of the reflection period until the date of completion on the property sale/refinancing or the end of the reflection period – whichever comes first; and
 - Cover any reasonable costs that Miss P incurs as a result of selling/refinancing the property, including any early repayment charges and conveyancing costs, but that stamp duty costs only being refunded if she decides to sell property 2.

Or

- Option B – if Miss P doesn't decide to sell or refinance then PRIMIS should:

- Refund Miss P all the interest she has paid on mortgage 2 over the full course of the reflection period.

Whichever option Miss P decides to take, PRIMIS should also do the following:

- Deduct Miss P's total rental earnings on property 1 and any compensation that may have been received from the conveyancing solicitor from the total refund owed to her.
- Pay Miss P £1,500 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 25 November 2025.

Maria Drury
Ombudsman