

## The complaint

Mr and Mrs G complain that LONDON & COUNTRY MORTGAGES LIMITED ('L&C') gave them incorrect and misleading advice. And they complain that this led to them incurring a financial loss.

## What happened

Mr and Mrs G had an existing first charge mortgage with a lender I'll call 'H'. They also had a second charge mortgage with another lender I'll call 'T'.

The interest rate deal on each of their mortgages were coming to an end. The term of their first charge mortgage with H was also nearing its end and Mr and Mrs G wanted to extend it. They approached L&C for advice in early October 2024. It said it couldn't provide advice for their second charge mortgage. It was able to provide advice regarding their first charge mortgage and recommended they remain with H, extend the mortgage term to six years and take out a new interest rate product. L&C applied to H on Mr and Mrs G behalf.

During H's processing of Mr and Mrs G's application, L&C spoke with H several times and it provided the information H requested. Around the same time, Mr and Mrs G had spoken with their second charge lender about arranging a new interest rate product.

On 28 October 2024, L&C called H to get an update on Mr and Mrs G's application. Following that call, on the same day, it emailed Mr and Mrs G and said:

"Good news, [H] have agreed to transfer and extension and the Mortgage Offer will be granted in 24-48hrs.

The completion of the transfer and extension will fall in within their current working timescales."

Meanwhile, T sent Mr and Mrs G a mortgage offer for a new rate on their second charge mortgage on 29 October 2024. They signed and agreed to it the next day and on 31 October the remortgage process for their second charge mortgage was completed. On the same day, H told L&C that it had declined Mr and Mrs G's application. And it said that Mr and Mrs G would need to contact its end of term team if they would like to discuss extending their mortgage term. L&C passed this information on to Mr and Mrs G. Unfortunately, they were unable to extend the term of their mortgage with H.

Mr and Mrs G complained to L&C because they felt they had been given inaccurate advice and incorrect written confirmation of a mortgage agreement, leaving them at a financial loss. L&C said that it couldn't agree it had done anything wrong as it had relied on information given to it by H about the application. It apologised that the email sent by its adviser confirming a mortgage offer would be issued within 24-48 hours was incorrect. It said the adviser had spoken to H before sending this email and had no reason to believe an offer wouldn't be issued. It couldn't be held responsible for H's actions.

Following advice from another broker, Mr and Mrs G found that they would be unable to

move their first charge mortgage to another lender, without also repaying their second charge mortgage. And so, in order to extend their mortgage term and get a new interest rate, they took out a new mortgage with another lender I'll call F. This mortgage completed in early 2025 and repaid their first and second charge mortgage. Because Mr and Mrs G repaid their second charge mortgage after agreeing a new interest rate, they had to pay an early repayment charge ('ERC').

Mr and Mrs G referred their complaint to the Financial Ombudsman Service. Our Investigator recommended that the complaint should be upheld and that L&C should reimburse Mr and Mrs G for the financial loss they incurred. L&C didn't agree. It said, in summary, that H had given L&C incorrect information about its criteria and process. And that its adviser hadn't acted inappropriately when H's agent heavily indicated that an offer would be produced.

As a resolution couldn't be reached the case has come to me to decide. I wrote to both parties to provide further clarification around redress. In summary, I set out in more detail the steps I thought L&C should take to put things right.

Mr and Mrs G accepted the clarified redress. L&C didn't accept the proposed outcome. It referred to H's published criteria and the conversations it had had with H regarding Mr and Mrs G's application prior to 28 October 2024. And that because of that, the adviser had "...no reasonable basis on which to believe that the mortgage offer would not be produced..." L&C said it was only at a later stage that H imposed an additional and previously unstated requirement, and its adviser had acted in good faith. L&C doesn't agree that its adviser acted inappropriately and said that it isn't responsible for decisions made by H, or by Mr and Mrs G prior to receiving a formal mortgage offer.

### **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 crux of this complaint is that Mr and Mrs G feel they were given misleading information by L&C's adviser – that their application with H had been agreed when it hadn't been – and that they then acted on that information causing them a financial loss. Mr and Mrs G have said this led to them taking action they wouldn't otherwise have done, by securing a new fixed rate deal on their second charge mortgage.

L&C doesn't agree that it misled Mr and Mrs G based solely upon the interpretation of a single email. In its response to this Service, it has also set out in detail the correspondence between it and H – including that H's position contradicts its published lending criteria, among other things. And that L&C's adviser acted in good faith based on information provided to them by H. This complaint has been brought against L&C, not H. But I've taken that information into account for context when deciding if L&C has acted fairly.

L&C's argument is, in part, based on a conversation its adviser had with H prior to the adviser's email being sent to Mr and Mrs G on 28 October 2024. It has placed significant weight on the content of this call, alongside its view that its adviser conducted detailed checks of H's published lending criteria and the conversations it had had with H previously. It believes the adviser had no reasonable basis on which to believe that a mortgage offer wouldn't be produced.

I can see from the adviser's perspective that it seemed like Mr and Mrs G's application with H was progressing to its final stages. What I don't agree with, however, is that the adviser had sufficient information or justification to tell Mr and Mrs G that Halifax had *agreed* to their product transfer and term extension and that a mortgage offer *will be* issued.

In my view, using the words “agreed” and “will be” suggests that H had accepted Mr and Mrs G’s application, that it had been agreed and that the offer being produced was a simply a formality. I think that is how a reasonable person would understand it. But that wasn’t the case and I don’t agree that this reflects what H’s agent told L&C’s adviser. H’s agent said “...the case appears to be able to proceed now, what I can do is I can refer this over to the interest only team for them to complete their final checks and we should hopefully have the case offered within 24 to 48 hours for you”.

H’s agent using words or phrases including “appears to be” and “we should hopefully” and referring to final checks needing to be completed does not, in my view, suggest that everything had been agreed. I consider a mortgage adviser should be aware that H hadn’t agreed to Mr and Mrs G’s application at this point because a formal mortgage offer hadn’t been issued. And that any information provided to Mr and Mrs G needed to be clear, fair and not misleading. Consumers should be given the information they need, at the right time and it should be presented in a way they can understand, so they can make timely and effective decisions to help them achieve their financial objectives. I don’t think L&C’s adviser intended to mislead Mr and Mrs G when they updated them on 28 October. But in telling Mr and Mrs G that their application had been agreed when that wasn’t the case, I’m satisfied that is ultimately what happened and that it influenced what Mr and Mrs G did next.

Mr and Mrs G went on to accept a new fixed rate offer on their second charge mortgage shortly after this, locking them into that product. I’m satisfied that it was reasonable for them to rely on what L&C had said, and in doing so they acted to their detriment. I’m not persuaded they would have done that (locked into a new product) had they been given an update in line with what H’s agent had actually said, which was far less certain than the email L&C’s adviser did send. I’ll explain why.

As soon as Mr and Mrs G found out that H wouldn’t agree to their application, they sought advice on what other options they had to obtain a new rate on their first charge mortgage. Ultimately, they found their only option was to obtain a mortgage large enough to repay both their first and second charge mortgages. This is what they went on to do. But, unfortunately, by having already accepted the offer from T, they were locked into that product and did not have the right to withdraw from it. Their only option, if they wanted to obtain a new promotional interest rate and to extend the term on their first charge mortgage, was to pay the ERC to T.

Overall, I think it’s most likely, on the balance of probabilities, that Mr and Mrs G wouldn’t have locked themselves into a new product with T (and the £16,000 ERC that came with it), had they not been misled by L&C. And so, they wouldn’t have paid an ERC. This is because doing so would not enable them to achieve what they had set out to do, without incurring significant additional costs. They would have paid less interest on their second charge mortgage when taking the new product. However, the counter to that is that they would need to pay an ERC to exit it and would have been charged more interest on their larger first charge mortgage until a new mortgage was obtained. It’s also possible the later remortgage process could have completed sooner had the misleading information not been provided, and that more interest had been charged overall as a result.

It’s difficult to know now exactly what would have happened. Therefore, I consider the fairest way to put things right in this case is for L&C to refund the cost of the ERC and the product fee Mr and Mrs G paid to T because of taking out a new deal. L&C should add 8% simple annual interest to this amount from the date of payment to the date of settlement. I don’t require L&C to cover any of the other costs Mr and Mrs G have incurred, such as legal costs or the product fee for their new mortgage, as these are costs they would always have incurred – and are not, therefore, losses caused by L&C’s actions.

I've also considered the distress and inconvenience Mr and Mrs G have experienced because of what's happened. I think it would be fair for L&C to make a payment of £200 to Mr and Mrs G, to recognise the distress and inconvenience caused. That includes, but isn't limited to, having to make new plans when they found out what they'd been told by L&C was incorrect, causing them further worry and inconvenience over several months that could have at least been alleviated.

### **Putting things right**

To put things right in this individual case, I require L&C to:

- Reimburse Mr and Mrs G for the cost of the ERC of £16,124.75 they paid to T. L&C should add 8% simple annual interest\* to this amount from the date of payment to the date of settlement.
- Reimburse the product fee of £1,495 added to the mortgage with T plus the compound interest charged from the point that fee was added to the loan with T, to the point of redemption. From then on, L&C should add 8% simple annual interest\* to that amount until the date of settlement.
- Pay Mr and Mrs G £200 compensation to recognise the distress and inconvenience this matter has caused.

\*L&C may deduct income tax from the 8% interest element of my award, but it should tell Mr and Mrs G what it has deducted so they can reclaim the tax from HMRC if they're entitled to do so.

### **My final decision**

My final decision is that I uphold this complaint and require LONDON & COUNTRY MORTGAGES LIMITED to put things right by taking the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 15 April 2026.

Keith Barnes  
**Ombudsman**