

## The complaint

Mr G and Mrs W complain that Knott Another Mortgage Adviser Limited trading as A K Partnership ('AKP') mis-sold them a bridging loan.

## What happened

Mr G and Mrs W sought advice from AKP in early 2023 as they required funding to complete building work on their property. AKP recommended they take out a bridging loan which provided them with £70,000. Mr G and Mrs W were able to complete the building work on their property and started the process of obtaining a building warranty, which AKP told them they'd need if they wanted to obtain an equity release mortgage.

Mr G and Mrs W later approached AKP again as they wanted to obtain further borrowing to repay their bridging loan along with some other debts, and to raise around £250,000 to fund a property purchase for their son. The building warranty issue remained outstanding and, in the meantime, Mr G and Mrs W's son found a property he wanted to purchase which had a short completion deadline. Ultimately, a new bridging loan was arranged and completed on 2 February 2024 providing Mr G and Mrs W, and their son, with the funds they needed.

A few weeks later, on 20 February 2024, the building warranty was issued. Unfortunately, Mr G and Mrs W were unable to get an equity release mortgage that would provide them with sufficient funds to repay the bridging loan following this. They felt they had been misguided by AKP regarding the second bridging loan and being able to get an equity release mortgage, so they made a complaint.

AKP doesn't agree that its adviser did anything wrong and said that equity release wasn't possible within the 28-day property purchase deadline. It said repayment plans for the loan were listed as equity release or sale of the property, and that the latter could have avoided the need for any further borrowing. It offered to look again at the possibility of an equity release mortgage for Mr G and Mrs W.

Unfortunately, Mr G and Mrs W were still unable to get the equity release mortgage they needed. They referred their complaint to the Financial Ombudsman Service. Our Investigator didn't think AKP's recommendation for Mr G and Mrs W to take out a second bridging loan was unsuitable. However, she felt AKP had incorrectly led them to believe they'd be able to obtain an equity release mortgage. She recommended that AKP should pay them £300 to recognise the distress and inconvenience caused. Neither party agreed so the complaint has come to me to decide.

AKP didn't think the complaint should be upheld for several reasons, including that the advice was suitable and that it couldn't be held liable for the issues Mr G and Mrs W have encountered.

Mr G and Mrs W raised several points in response to the Investigator's view, including that they don't feel the recommended amount of compensation is fair, and that AKP should have done several things differently.

## **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.

Mr G and Mrs W have raised several concerns about many individual things. But the crux of the complaint here is that they believe AKP mis-sold a bridging loan to them – the second one they took out in February 2024. They say AKP should have told them to wait until their building warranty issue had been resolved and to delay their son's property purchase, so they could get an equity release mortgage instead.

By September 2023, Mr G and Mrs W wanted to find a way to repay their first bridging loan along with some other debts, and to raise around £250,000 to fund a property purchase for their son. They'd completed building work on their home around this time and needed to obtain building control sign off and a building warranty. Part of this process was completed in October 2023, but the warranty remained outstanding. And AKP had advised Mr G and Mrs W that this would be required to obtain an equity release mortgage. Looking at lending criteria information available online for some of the well-known equity release lenders, I am satisfied this would likely have been the case.

At the start of November 2023, Mr G and Mrs W said their property was shortly due to go on the market for a sale price of £1.6 million. AKP questioned why they were looking to obtain an equity release mortgage if they were selling their property. And I can appreciate why – equity release mortgages are designed to be a long-term product and generally have high early repayment charges. They are not designed for short-term lending and to advise a consumer to take one out for that purpose could potentially be considered as unsuitable advice, albeit dependent on the wider circumstances.

In response to AKP, Mr G and Mrs W said properties don't necessarily sell quickly, they would need to clear the bridging loan, and they would like to help their son purchase a property before it's sold. They were also looking to borrow further funds for another property purchase, although I note they later decided not to pursue that. They required a mortgage to provide them with the funding they wanted, while they waited for their property to sell and I can see they would have preferred it to be an equity release mortgage.

It appears that around this time a discussion took place about obtaining another bridging loan for Mr G and Mrs W. They raised some concerns about doing that instead of equity release. There's no recording or notes from these conversations, however, following these discussions the bridging loan application continued. Mr G and Mrs W continued to correspond with AKP, largely through WhatsApp, regarding potential properties their son was looking to purchase, about the progression of the new bridging loan, trying to get the building warranty, and about selling their house.

AKP had concerns about the potential level of debt causing anxiety to Mr G and Mrs W and said that it needed to be addressed. The adviser suggested that the simplest solution would be for Mr G and Mrs W to not lend money to their son until their house was sold. Mr G and Mrs W, however, wanted to continue with borrowing additional funds so their son could purchase a property. They enquired about the possibility of taking out a holiday let mortgage and AKP provided approximate figures on what that would cost.

After receiving that information, Mr G and Mrs W decided they wanted to continue on the path they were on and asked AKP to provide some further information about that, including the amount of interest that would be charged on the bridging loan. Mr G and Mrs W suggested they might keep their house and if possible they'd get an equity release mortgage to clear the proposed bridging loan.

In December 2023, Mr G and Mrs W told AKP that their son "...has his heart set on this project and our intentions are to help him..." A short time later Mr G and Mrs W asked for AKP's advice on a way forward. They felt an equity release mortgage would be expensive but less complicated. AKP said it was "impossible to give advice" as it didn't know what direction Mr G and Mrs W were going in. And it said that equity release takes time and it can't be arranged within a couple of weeks. I agree that it's unlikely an equity release mortgage could be obtained in such a short timescale. However, as previously mentioned, it was also unlikely Mr G and Mrs W would be able to obtain an equity release mortgage at this point, because they did not have a building warranty for their property. They say the delays with that are because of AKP's adviser, but I'm not persuaded that was the case. I can see the adviser tried to help them with that process, but AKP can't be held responsible for the warranty provider's actions.

Mr G and Mrs W again asked AKP what it would advise in the situation. AKP said it couldn't advise them on the matters they were asking it to and that its job was to deliver a solution to the situation Mr G and Mrs W have chosen, within reason. AKP noted that the building warranty still hadn't been resolved and that there was a probate issue with the intended property purchase for their son. This limited the potential options available to them. A mortgage broker's role is to find a suitable mortgage, if applicable, so that its customer can achieve their needs and requirements. They aren't required to advise customers on the wisdom of a property purchase and when (or whether) to do it, for example. Looking at the available correspondence, I think Mr G and Mrs W's expectations of AKP's role exceeded what it was there to do.

Mr G and Mrs W raised concerns at this point as they wanted AKP to tell them which direction they should take. They maintained that they still wanted to achieve the same end goal and needed AKP to find a way forward. To try and help Mr G and Mrs W, AKP agreed to help chase the bridging loan lender regarding the valuation and suggested that Mr G and Mrs W call the relevant solicitors and estate agents to help move things along.

Over the following days, Mr G and Mrs W asked when the bridging funds would be available as they wanted to move forward as quickly as possible. They clarified that they wanted to purchase a property for their son, to clear the existing bridging loan and to repay some other debts. Their aim was to clear the bridging loan within a few months with an equity release mortgage and they asked AKP to start that process. They would also keep their house on the market for sale.

AKP said it didn't think starting the equity release process would be wise. Rates could change and the mortgage offer could expire if probate issues with their son's potential property purchase continued. Alongside this, additional valuation fees, legal costs and broker costs (a separate adviser at AKP that deals with equity release would be required) would need to be paid by Mr G and Mrs W. He suggested that Mr G and Mrs W wait until the probate issues have been resolved before doing anything further.

On 18 December 2023, Mr G and Mrs W asked how long it would take to obtain an equity release mortgage. Again, AKP suggested waiting until the probate issues had been resolved and if they got a buyer for their house in the next week, they wouldn't need anything. At this point, a valuation had been completed on the property for the bridging lender valuing the property at £790,00 – significantly less than Mr G and Mrs W expected.

I note Mr G and Mrs W have raised concerns about the valuation and AKP's involvement with it. But the valuation was instructed by the bridging lender for lending purposes and completed by a third-party surveyor. I can't hold AKP liable for the value being lower than Mr G and Mrs W expected and, in any case, it did not impact their ability to get a bridging loan. Nor can I hold AKP liable for the cost of the valuation, that fee was charged by the bridging

lender or the surveyor, not AKP. That valuation also wouldn't be used by a potential equity release lender – a fresh valuation would be required. So, I am not persuaded this valuation had any impact on what an equity release provider would, or wouldn't, offer to lend. An equity release lender's own valuation could have come back lower, or higher, when instructed. It would not be guided by a previous lender's instructed valuation. Challenging the valuation and incurring costs for doing so would, therefore, have been unnecessary time and cost for Mr G and Mrs W to incur at this stage.

Mr G and Mrs W contacted AKP on 15 January 2024 confirming their son had found a property and intended to make an offer. AKP confirmed it would be possible to fund the purchase and an offer for the property was made the next day with a 28-day completion deadline. Following this, Mr G and Mrs W said they were taking their house off the market and said they might put it back on the market in Spring or the following year.

The bridging loan lender offered Mr G and Mrs W their requested loan a short time later. They asked AKP if they could "...get equity release done by end of January?". AKP said the bridging loan would come first and then equity release would follow once everything had been resolved. In a following message, AKP said to Mr G and Mrs W – in relation to information the lender required regarding the bridging loan – that "...as part of the exit plans its to say selling.....so they just want peace on mind you will sell. But we are doing equity release anyways, so it's a no an issue, just something to put in their file". A short time later, the bridging loan completed.

Considering Mr G and Mrs W's requirements at the time and their clear desire to help their son purchase a property as soon as possible, I do not think AKP's advice to take a bridging loan was unsuitable. Funds were required quickly and there was the outstanding warranty issue and it was unknown, at the time, when that would be resolved. I am satisfied an equity release mortgage wouldn't have been possible at this point – due to the lack of building warranty and the short timescale required. The question is, would Mr G and Mrs W have done anything differently if AKP had told them an equity release mortgage for the amount they'd need might not be possible? I don't think I can safely conclude that they would have.

I say this because, in my view, it's clear Mr G and Mrs W's priority was to obtain borrowing as soon as possible and AKP's advice to take a bridging loan achieved that. AKP had suggested that Mr G and Mrs W wait on more than one occasion for issues such as probate and the building warranty to be resolved. But Mr G and Mrs W's decision was to proceed with urgency. And their intention was, based on the evidence, always to sell their property which was a credible strategy, it's just that they thought equity release would give them more time to do that.

Although Mr G and Mrs W know now that equity release for the amount they needed wasn't possible, I don't think AKP could have known with certainty either way at the time. Several factors can impact how much an equity release lender is prepared to lend. It is not simply based on a fixed maximum loan to value of 37%, as Mr G and Mrs W suggest. Mr G and Mrs W were also clear that they felt their property was worth far more than it had been valued at by the bridging lender and they hadn't, by this point, had the experience of being unable to sell their property for a long period.

That said, I consider AKP's adviser gave the impression they would get an equity release mortgage once the bridging loan was in place. I consider AKP ought to have provided more balanced information about the possibility of obtaining an equity release mortgage at this point – among other things, no formal offer had been made by an equity release provider and only illustrations had been produced. As above, I'm not persuaded – based on the available evidence, including Mr G and Mrs W's testimony – that they would have acted differently at the time, even if AKP had done that. But I think the lack of balanced information

has led to Mr G and Mrs W experiencing a loss of expectation that could have been avoided. I agree with the Investigator that a fair way for AKP to recognise the impact of this is to pay Mr G and Mrs W £300 to compensate them.

I'm sorry to hear of the difficult financial situation Mr G and Mrs W now find themselves in and I hope they can find a solution soon. They may wish to seek independent financial or debt advice to consider their options further.

### **My final decision**

My final decision is that Knott Another Mortgage Adviser Limited trading as A K Partnership should pay Mr G and Mrs W £300 compensation, if they accept my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs W to accept or reject my decision before 6 March 2026.

Keith Barnes  
**Ombudsman**