

complaint

Mr and Mrs A complain that Ulster Bank Ltd sold them an unsuitable mortgage.

background

Mr and Mrs A took out a mortgage with Ulster Bank in 2007. They say that:

- they were encouraged to borrow five times their joint annual income, which was more than they could reasonably afford to re-pay;
- they were told that they could borrow against the value of their property, and the property valuation would never reduce;
- it is unfair that Ulster Bank will not allow them to switch to a new mortgage product now they are in negative equity.

Mr and Mrs A want Ulster Bank to assess what it should reasonably have lent them in 2007 and write off the excess.

The adjudicator did not recommend that Mr and Mrs A's complaint should be upheld. He found, in summary, that:

- he had not seen any persuasive evidence to show that the bank had said the property value would always remain the same as the original valuation for the purposes of future borrowing;
- on balance, he considered it unlikely that a lender would give such an assurance;
- the amount borrowed of five times joint annual income was within typical lending multiples available in the market at the time the mortgage was arranged; and
- he did not consider that it was unreasonable for the bank to take a commercial decision not to offer new fixed term mortgage products to customers in negative equity.

Mr and Mrs A do not agree with the adjudicator's conclusions for the reasons they have previously given.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and wider circumstances.

I note that Mr and Mrs A say that they were encouraged to borrow five times their joint annual income, which was more than they could reasonably afford to pay. But Ulster Bank says, and I accept, that Mr and Mrs A's application met the affordability checks in place when the lending was provided. In particular, it says that it looked at payslips and bank statements. And it says that Mr and Mrs A had confirmed that all debt would be repaid from the sale of their previous property leaving a large deposit. In addition, the amount borrowed was within typical lending multiples available in the market at the time the mortgage was arranged. So I do not consider that the bank did anything wrong in offering the mortgage on those terms.

Having considered all the evidence, I am not persuaded that Mr and Mrs A were told that they would always be allowed to borrow against the original value of their property, even if

the market value fell. I agree with the adjudicator that it is unlikely that a lender would give such an assurance.

Mr and Mrs A wish to switch their mortgage to a new fixed rate product. But the bank has said that the maximum loan to value that it will advance is 90%. This is a legitimate commercial decision by the bank, and the bank is not treating Mr and Mrs A less favourably than other customers with similar characteristics. So, although I sympathise with Mr and Mrs A, I do not consider that I can fairly require the bank to change its policy. And I do not require it to do anything further.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs A to accept or reject my decision before 29 January 2015.

Alison Cribbs
ombudsman