

complaint

Ms A and Mr S complain that Connells Limited charged them an administration fee when they had paid for mortgage advice for life. They want a refund of the additional fee charged and a promise that no further fees will be charged.

background

Ms A and Mr S paid for lifetime mortgage advice with Connells. They said they were told they could re-mortgage in the future through Connells with no extra fees. Three years later, Ms A and Mr S applied for a new mortgage through Connells and told they had to pay £99 administration fee.

Ms A and Mr S complained as they thought it was unfair to have paid for free future mortgage advice, only to be told years later in order to use it they had to pay further fees. Connells said it charged the administration fee to cover the administration of the application – the “lifetime broker fee” paid by Ms A and Mr S only covered mortgage advice and help with applications. It agreed it started charging the administration fee after the lifetime broker fee was bought by Ms A and Mr S, but said it replaced an earlier higher “valuation administration fee” which it had charged Ms A and Mr S before. Connells accepted Ms A and Mr S thought there’d be no more fees to pay in the future and offered to refund the administration fee, but warned them it would be charged in the future.

Ms A and Mr S complained to us. They felt they were being forced to pay more fees or be unable to use the advice for which they’d paid. The adjudicator’s view was the description of what the “lifetime transaction fee” covered the administration connected to the mortgage application and it was unfair to charge the administration fee now or in the future. He also thought Ms A and Mr S should get £100 compensation for their trouble and upset.

Connells disagreed. It said its administration costs had risen and we didn’t have any jurisdiction over their commercial decisions.

my findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. I appreciate Connells’ concern that we are being asked to interfere with its commercial decision, but our role is to ensure consumers are being treated fairly and reasonably.

Connells hasn’t disagreed that Ms A and Mr S were told there’d be no further fees if they paid for the lifetime broker product. I think it’s more likely than not Ms A and Mr S were told that, with the exception of the valuation administration fee.

The lifetime broker fee was also called a “lifetime transaction fee” and a “lifetime fee”. Connells’ documents signed by Ms A and Mr S described it as “*covering the cost of providing you with Mortgage Advice, assistance in completion of all the Mortgage and Protection application form(s) and all work associated with the mortgage advice offered by Sequence on this and any other occasion in the future.*” The valuation administration fee covered the valuation of the property and the administration connected to that. Part of this fee could be refunded if the valuation wasn’t carried out or had to be paid for twice.

I think Ms A and Mr S reasonably expected administration work to be covered by the lifetime broker fee, with the exception of any valuations required and work done in connection with valuations. I accept Connells has rising administration costs, but if a business offers a lifetime product to consumers, it must accept the risk that its costs will increase and not be recoverable. There's nothing in the documents warning consumers Connells may seek to recover its increased costs in the future.

I think it's unfair and unreasonable for Connells to introduce new fees for consumers who have been sold a lifetime product on the basis there will be no more fees. Its decision to create a new team doesn't mean it's fair or reasonable to unexpectedly charge a new fee. The valuation and administration fee is meant to deal with valuations and related administration – that's different to general administration connected to a mortgage application.

I agree with the adjudicator that Ms A and Mr S have suffered trouble and upset due to Connells' actions. I think £100 compensation is fair and reasonable as Ms A and Mr S have been annoyed and required to pay an unexpected fee in order to use their lifetime product.

my final decision

My final decision is that I uphold the complaint and recommend Connells Limited take the following steps:

- repay £99 to Ms A and Mr S;
- pay £100 compensation for their trouble and upset;
- not charge Ms A and Mr S in the future any administration fees unconnected to the valuation of a property.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A and Mr S to accept or reject my decision before 9 November 2015.

Claire Sharp
ombudsman