

complaint

Mr S and Miss M are unhappy with the compensation offered by London and Country Mortgages Ltd (L&C) when it submitted their mortgage application for the wrong amount.

background

L&C arranged a mortgage for Mr S and Miss M around June 2018. The mortgage was for a five year fixed term at a rate of 2.09% for a loan amount of £184,449 with Lender H. This loan amount included a £999 booking fee (which Mr S and Miss M were hoping to pay off shortly after completion).

Mr S and Miss M's property purchase fell through in July. In September, Mr S and Miss M approached L&C for advice on arranging a mortgage as they'd found another property. The new property required more borrowing, a total of £187,000.

L&C arranged Mr S and Miss M's mortgage application with Lender H again. Mr S and Miss M were told that the mortgage was being offered on the same terms as previously offered by Lender H. During Mr S and Miss M's solicitors' enquiries, they were told that the mortgage amount being offered by Lender H was £184,449, not £187,000 which was needed for the property purchase.

Mr S and Miss M contacted L&C. L&C told them that it had incorrectly processed their loan application. It explained that the loan application had been submitted based on a mortgage amount of £184,499.

L&C recognised its error and told Lender H about what had happened. Lender H said that the mortgage product offered in June was no longer available. It explained it wouldn't be able to offer the same terms on the higher mortgage requested for £187,000. Lender H said the terms it would've offered had the application been correctly submitted in September for £187,000 would've been a five year fixed term at a rate of 2.14%. It confirmed that the rate it was currently offering was 2.24%. Lender H said that it would still be willing to offer a mortgage for £184,449 based on the lower rate of 2.09%.

L&C told Mr S and Miss M that in order to try and put things right, if Mr S and Miss M wanted to borrow £187,000 it would pay the difference between the new rate of 2.24% being offered by Lender H, and the rate it would've offered of 2.14% had the application been processed correctly in September 2018.

Mr S and Miss M say they didn't want any more delays in completion of their property, so they chose to go with Lender H's offer to provide a mortgage for £184,499 with the terms initially proposed. Mr S and Miss M borrowed money from their family to pay for the difference because of the loan amount being less than what they needed.

Mr S and Miss M complained to L&C about its error in processing their application in September 2018. They said because of this they had to borrow money to pay the extra cost of buying their property. They also said they're paying interest across the mortgage term on the additional £999 fee which they can't afford to pay off in full now as was their original plan.

L&C recognised that it was its mistake that meant the loan application wasn't processed as it should've been. It said the offer it made to pay the difference in the interest rates offered was fair. It agreed to pay Mr S and Miss M £300 in compensation to recognise the trouble and upset caused to Mr S and Miss M because of its error.

The investigator thought L&C's offer was fair, and didn't recommend L&C do anything else. Mr S and Miss M disagreed. They say they've lost out on the saving they would've had by having to put in extra money, and that L&C was meant to be advising on the best rate in the open market, but its offer to put things right was limited to products offered by Lender H. As the complaint couldn't be resolved it's been passed to me for decision.

my findings

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

It's not disputed that L&C made an error on this case. The dispute between Mr S and Miss M and L&C now relates to the award of compensation that should be paid by L&C in recognition of what went wrong. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.

I understand that this has been an upsetting time for Mr S and Miss M. Having reviewed the case, I agree with the investigator's findings, and I won't be recommending further compensation for this complaint. I can understand this is likely to come as a disappointment to Mr S and Miss M but I hope my findings go some way in explaining why I've reached this decision.

I accept that L&C put the wrong amount on the application in September 2018. But even if the adviser had correctly sent the application requesting a loan amount of £187,000, Lender H has already confirmed that it wouldn't have been able to offer this mortgage on the same terms as previously offered because this product was no longer available. So I don't think it would be reasonable to ask L&C to pay compensation which achieves this outcome, because this wasn't an option for Mr S and Miss M even if L&C had done everything it should've.

Lender H has explained that the best interest rate it could've provided in September 2018 for the loan amount requested of £187,000 was 2.14%. This rate later changed to 2.24%. I think L&C's offer to pay the difference for the rate that was later offered by Lender H (2.24%) to what it would've been in September (2.14%) is fair.

I understand Mr S and Miss M made the decision to proceed with the original mortgage offered in June for 2.09%, which was less than what they needed to borrow. Mr S and Miss M feels strongly that they had no choice but to take this option, because of the stress and potential delay in arranging new mortgage terms. I can appreciate this would've placed Mr S and Miss M in a difficult position, and I don't doubt that it must've been a very stressful time.

I'm aware that in August 2018, Bank of England's base rate changed from 0.50% to 0.75%. Because of the increase, I think it's likely that any product offered in September 2018, would've been on less favourable terms than the offer Mr S and Miss M were given in June 2018.

As the loan amount required by Mr S and Miss M had changed in September, this would've required a new mortgage application, based on mortgage products available at the time. Although I accept that Mr S and Miss M feel strongly that L&C are responsible for them being in a worse off financial position, I think it's likely that Mr S and Miss M would've had to

make a decision on whether to continue with the initial mortgage deal which was less than the amount they wanted to borrow, on the basis that they then funded any additional borrowing themselves, or accept a new deal for the full mortgage amount required based on less favourable mortgage terms.

I appreciate there are many variables to what Mr S and Miss M may have done had L&C processed the application correctly in September. However the evidence shows that the mortgage product Mr S and Miss M wanted (a loan of £187,000 on the same terms as offered previously with an interest rate of 2.09%) wouldn't have been offered by Lender H.

Lender H has said the best deal it would've offered is the loan amount requested at a rate of 2.14%. L&C agreed to put Mr S and Miss M back into the position they would've been in if this offer was accepted. I can appreciate the circumstances around this weren't ideal, as Mr S and Miss M didn't want any more delays or complications with completion of their property. But I think the £300 offered by L&C recognises the trouble and upset caused to Mr S and Miss M because of its error.

Although Mr S and Miss M feel strongly that L&C is responsible for the additional money that was put into the property purchase (which they think resulted in a financial loss), I don't think it would be fair to ask L&C to compensate for this potential loss. Mr S and Miss M benefitted from additional equity in their property. They're also paying less interest than what they would've likely been paying if they'd chosen a mortgage product from the offering available in September.

It seems likely that any mortgage offer for £187,000 would've been on a higher interest rate than the 2.09% previously offered. I accept there's no certainty in knowing whether another product outside of anything offered by Lender H would've been cheaper, but I think the £300 compensation recognises this uncertainty. For the reasons explained I won't be recommending L&C pay anything more.

my final decision

My decision is that I don't uphold this complaint.

The offer London and Country Mortgages Ltd has made to Mr S and Miss M is fair and reasonable. I leave it to Mr S and Miss M to decide whether to accept this offer by the date specified below.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Miss M to accept or reject my decision before 26 October 2019/

Neeta Karelia
ombudsman