complaint

Mrs W complained that Bank of Scotland plc, trading as Halifax, didn't give her the right mortgage advice. As a result, she's having to pay significantly more.

background

Mrs W was an existing Halifax mortgage customer. In summer 2017, she moved home. She had a very good interest rate on her previous mortgage and transferred (''ported'') this to her new property. The amount she decided to borrow on her new mortgage was significantly less than she'd had before.

After the mortgage completed, Mrs W told Halifax she wanted to borrow more for home improvements. But Halifax's policy was that no-one could have a further advance within six months of completion, so it refused.

There's a disagreement about what was said between Mrs W and Halifax's adviser at that point.

Mrs W's version is that the adviser told her she could apply for a Halifax loan instead. But Mrs W had said she had a number of credit cards with a 0% interest rate, and told the adviser she'd use these instead.

Halifax's adviser's version is that Mrs W hadn't mentioned any credit card debt.

In early 2018, Mrs W applied to Halifax for a £62,000 further advance. She said £13,300 was for debt consolidation and £48,700 for home improvements.

Halifax refused Mrs W's further advance application. It said the total debt Mrs W would have would be unaffordable.

Mrs W complained, saying:

- she hadn't ported the whole balance of her previous mortgage, so she believed she was still eligible to have the rest of this;
- she was unhappy that she'd had to wait six months after completion before applying for a further advance;
- she'd accumulated significant credit card balances and was unhappy Halifax wouldn't give her a further advance;
- she felt she should have been told that lending requests for further advances were restricted to a ten year term.

Halifax didn't uphold Mrs W's complaint. It explained that:

- customers with a portable rate can apply to take the rate with them – not the whole mortgage. The amount available on that rate is the balance at or near redemption of the existing mortgage. Once the new mortgage completes, borrowers are no longer eligible for the portable rate;

- Halifax's policy that borrowers couldn't apply for more money within the first six months of a mortgage was because of anti-money laundering regulations, and to prevent properties being used for business purposes. It said its adviser had told Mrs W this;

- Mrs W's application had been declined, and had been reviewed by a senior underwriter with the same outcome. Although debt consolidation borrowing did have a maximum ten year term, this wasn't why Mrs W's application had been refused. Halifax said the concerns were about overall affordability.

- at the time Mrs W had spoken to the mortgage adviser, she hadn't been completing an application. Halifax said it wouldn't have been realistic to expect the adviser to set out every possible scenario around further advances, when no application was being submitted at that time.

Mrs W wasn't satisfied and complained to this service. She said that when she'd applied for the significantly reduced mortgage, Halifax's adviser hadn't warned her that she wouldn't be able to apply for more within the next six months, or that her existing very good rate wouldn't apply. Nor had the adviser told her that for debt consolidation there'd be a maximum 10 year term, or that there was no guarantee of acceptance.

Mrs W remained unhappy that her application had been rejected. She said her debts totalled £55,000 and her salary was £59,000. She wasn't happy with Halifax's final response letter which said that on the balance of probabilities Halifax didn't think the adviser wouldn't have told Mrs W to use her credit cards. Mrs W said the adviser had offered an unsecured loan, but Mrs W had said she'd use credit cards instead.

Mrs W said she'd been finding it difficult to find another mortgage lender, and her new payments would be significantly higher than with Halifax. She also said that she was being charged large interest payments on her credit cards.

Mrs W wants compensation for the extra interest she'll be paying on her mortgage, plus interest on her credit cards. She's calculated this as £3,040.

The investigator didn't uphold Mrs W's complaint. She said there are rules about responsible lending. Those rules say that, before lending, Halifax had to check Mrs W could afford to repay the mortgage and would be able to continue to do so. The investigator explained that this would include looking at Mrs W's debt to income ratio. She looked at Halifax's files and the credit searches it did on Mrs W. Having done so, the investigator considered Halifax had acted fairly and reasonably in declining to lend to Mrs W.

The investigator also looked at what had or hadn't been said about a ten year term for debt consolidation, when Mrs W had spoken to the adviser. The investigator believed that discussing this would have been premature because Mrs W had to wait six months after completion anyway – and circumstances can change in six months.

Mrs W didn't agree. She said the fundamental issue was that she'd told the adviser she was going to borrow on credit cards until the 6 months had elapsed and she could then apply for a further advance. She didn't agree that discussion of the terms of further advances at that point would have been premature. And she said that Halifax couldn't be a responsible lender, when it knowingly allowed customers to take on huge amounts of debt without any warning or advice. She said the adviser should at least have said that there wouldn't be a guarantee that she could have the further advance in six months' time.

The investigator said that it was reasonable to think Mrs W would have known there was no guarantee of acceptance, because Halifax had just refused Mrs W's application for a further advance within the first six months after completion. And having a conversation about debt to income ratio would have been premature because any application would have to be based on Mrs W's circumstances at the time of the actual application. This would include arrangements to pay off her credit cards debt – for example Mrs W had said her partner was paying off one of her debts.

Mrs W replied that the reason her first request for a further advance had been rejected was because of the standard rule about no applications within six months. She said her new mortgage had been just over a third of her previous mortgage, and her credit rating had been excellent, so it was reasonable for her to have assumed the further advance would have been approved in six months' time.

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've considered the different parts of Mrs W's complaint separately below.

When Mrs W took out the mortgage - not being warned that she couldn't apply for more money within 6 months, and that her existing very good interest rate wouldn't apply

All lenders need to take precautions against money laundering, and Halifax's rule that borrowers can't apply for more money within six months is a very common policy among lenders. I don't find Halifax was wrong to have this policy.

Mrs W believes she should have been warned about the policy. But Mrs W has told us that her circumstances changed, and that this was why she wanted to apply for more funding. So, when first discussing her move with Halifax, Mrs W wouldn't have told the bank that's what she'd want to do, because it wouldn't have been what she planned at the time.

I don't find that Halifax had to warn Mrs W about every possible thing that might happen in future, and what the implications might be. Very many things can happen throughout the life of a mortgage, and it wouldn't be practical for the bank to have to raise all possible future scenarios.

Porting is where a lender allows a borrower to take out a new mortgage on their new property and port (transfer) the ongoing fixed, discounted or tracker rate product from the existing mortgage to the new one. Mrs W's previous mortgage had that facility. But this didn't mean that she'd then be able to go back in time to the mortgage she'd previously had, and take up more of the sum she'd previously had. The porting facility was a one-off opportunity to transfer the rate to a new property, not a binding commitment to let Mrs W borrow future funds at a previous rate, on an indefinite basis.

I realise that Mrs W may not previously have known the rules about porting. But Mrs W's new mortgage offer in 2017, for the lower amount she'd requested, says nothing about any extra funds being available in future. So I think it would have been reasonable to expect Mrs W to have queried this when she got the mortgage offer, if this was important to her.

When Mrs W was refused a further advance in the first six months - not being warned that debt consolidation would have a maximum 10 year term, and that there was no guarantee she'd be accepted

As I've set out above, there are different versions of what happened when Mrs W and the Halifax adviser spoke. This was after Mrs W was refused a further advance during the first six months of her mortgage. There's no call recording available. So I can't say for certain what was said.

Where evidence conflicts, I make my decision on what I consider is most likely to have happened. I consider it's likely that Mrs W didn't want to apply for an unsecured loan, which the adviser had suggested. Such a loan would have been at a higher interest rate. I accept that Mrs W told the adviser she'd use credit cards instead. But I'm not persuaded that it was clear that Mrs W planned to apply on the basis she did in early 2018. In early 2018, Mrs W applied to consolidate a relatively small proportion of her total debt, plus more for home improvements. I don't think it's likely that she set this out to the adviser in 2017.

But in any case, a 10 year term for debt consolidation wasn't what led to Mrs W's application being rejected in 2018. So I'm not persuaded Mrs W was disadvantaged by not knowing this in 2017.

I've also considered Mrs W's complaint that she wasn't told that future applications weren't guaranteed to be accepted. But no lending applications can be guaranteed, especially months in advance. Circumstances can change, and Mrs W has told us that her circumstances did change. Lenders can only ever assess a lending application at the time of the application. If Mrs W believed that there was a guarantee as a result of having had a higher mortgage before, I think it's reasonable to have expected her to have queried the fact that this wasn't mentioned in her 2017 mortgage offer.

Application for a further advance being declined in spring 2018

Mrs W has said that it was reasonable for her to assume her further advance would be approved, because her new mortgage was just over a third of the value of her previous mortgage, and her credit rating was excellent.

Lenders are entitled to take their own decisions about whether or not to lend. I have looked closely at what Halifax considered when it rejected Mrs W's application for a further advance in 2018.

Mrs W applied for £62,000, which she said consisted of £13,300 for debt consolidation and £48,700 for home improvements. I've looked at Halifax's notes about the decision it took, and also the credit searches which it carried out at the time. The credit searches showed the total credit which Mrs W had. During the assessment, Mrs W told Halifax she wasn't going to pay off all her debts, just part of them. She also said her partner was paying off one of her debts. Mrs W has also since told this service that her debts were £50,000 against a salary of £59,000.

Lending decisions are confidential, but having looked at the decision and evidence, I understand why Halifax took the decision to decline the lending on grounds of affordability.

Responsible lenders have to check affordability and I find that Halifax didn't do anything wrong when it did so.

I note that Mrs W has also complained that Halifax couldn't be a responsible lender, when it knowingly allowed customers to take on huge amounts of debt without any warning or advice. I find that it wasn't Halifax's responsibility to tell Mrs W whether or not to take on huge amounts of debt. That was for Mrs W to decide for herself. All Halifax had to do was assess whether or not it was prepared to lend to her.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 22 February 2019.

Belinda Knight
ombudsman.