

complaint

Mr G is unhappy about the way in which Bank of Scotland plc (trading as Halifax) dealt with his mortgage application. The complaint has been brought on his behalf by his mother, Ms K. Ms K says that Halifax:

- refused to consider a mining report for several weeks leading to unreasonably delay;
- caused distress and upset when it withdrew the mortgage offer;
- made errors in the valuation of a second property;
- issued incorrect mortgage offers
- caused Mr G to become homeless for several months.

Mr G is seeking compensation of over £30,000. This reflects expenses Ms K says Mr G incurred as a result of Halifax's actions. As well as compensation for trouble and upset, it includes the cost of furniture and other items Mr G had bought for a property he eventually didn't buy, and the difference in price between the property he'd wanted and the one he eventually had to buy. Ms K also claims compensation in her own right, and on behalf of Mr G's brother, who she says was also inconvenienced by Halifax's handling of Mr G's mortgage application.

background

The complaint has been presented in great detail, but I will summarise it more succinctly, concentrating on the issues that relate to Halifax and the mortgage application, rather than events which are peripheral to this.

Mr G was a first-time buyer. He had a decision in principle from Halifax for a mortgage and had found a property to buy, for £89,000. Through a broker, he applied for a mortgage from Halifax. At the time Mr G was living with Ms K, and she was selling her property. From the proceeds of sale she was gifting him the deposit for his purchase. Ms K says it was intended that her sale, the purchase of her new property and the purchase of Mr G's property would go through simultaneously.

On 7 June 2016 a valuation was carried out for Halifax by an independent surveyor. He indicated the property was in a mining area and that this might affect the valuation. Ms K already had a mining report for the property Mr G was buying, and tried to make sure this was provided to the surveyor. She was unable to contact him directly and made attempts to do so through Halifax and the broker. The mining report was passed to Halifax by the broker and by Ms K. But it wasn't until Mr G's solicitors reported to Halifax that the local search had revealed mining entries – and the solicitor also sent the report – that Halifax considered the its contents. This was in mid-July.

Ms K completed the sale of her own property and her new purchase on 30 June 2016.

After referring back to the surveyor, the property was valued at £0 for mortgage purposes, and the mortgage offer was withdrawn. Mr G complained about the delay in Halifax considering the report, and about difficulties in contacting the surveyor.

Despite the £0 valuation, Mr G was determined to buy the property. He went into his local Halifax branch and spoke to a member of staff. But she didn't have access to the mortgage application, as it had been made through an intermediary. Although the staff member tried to

help resolve Mr G's concerns about how Halifax had dealt with his application, she wasn't able to do so.

In August 2016 Mr G went to another lender, S, which was the seller's existing lender on the property. Mr G thought S might be willing to lend on the property. S said it would arrange the survey as a matter of urgency and so Ms K tried to contact the sellers. When the sellers didn't respond she went to the property and found new owners there. Ms K says that *"...the shock hit us like a bereavement. That is how badly we were affected. [Mr G] battled to buy that property and lost it because Halifax not only let him down but prevented him from obtaining his mortgage elsewhere..."*

Mr G looked for another property, but Ms K says this wasn't easy. Even though Halifax had valued it at £0, Mr G thought the first property he'd lost out on was perfect and he had set his heart on it. But he found another property, in September 2016 and agreed to buy it for £118,000. Despite his dissatisfaction with Halifax, Mr G went back to Halifax for his new mortgage application.

The application was processed but, as a result of an error, the valuer was sent to the estate agents' office rather than the property address. This mistake was rectified and the valuation was carried out. Halifax asked Mr G to pay a second valuation fee, which he did.

Unfortunately, Mr G was sent a mortgage offer which contained the address of the first property. Ms K says Mr G was thrilled, because he had really wanted that property. He thought his complaint had been finalised and the decision to decline the mortgage overturned. He was about to make arrangements to contact the new owners so he could go ahead with his purchase, but then he received a mortgage offer for his new property.

Several more mortgage offers were issued. Ms K says most were for the new property but another came for the first property. This was confusing because Ms K says Mr G didn't understand which property he was actually buying.

In December 2016 Mr G's purchase of the second property was completed. Ms K says that when she and her sister attended the branch to arrange to pay the deposit for Mr G's purchase, she received poor service.

A complaint was raised about the service Halifax had provided. Ms K said that, as a result of Halifax's mistakes, her son was homeless for months, living out of his car and with his brother, which caused considerable upset and inconvenience.

Ms K said that one of the attractions of the first property was that it was so cheap. She says *"The poor decisions Halifax made to withdraw the mortgage at that specific time denied [Mr G] the possibility of purchasing a reasonably priced house irrespective of the mine..."* But by the time Mr G had to begin looking for another property, prices had gone up and so he had to pay more. Ms K thinks Halifax should compensate him for this and is requesting £25,096, the difference in the price of the two properties.

Ms K also wants Halifax to compensate Mr G for the cost of storing items he'd bought for the first property, and petrol, a hotel, removal costs, fast food for 120 days, a new contract for his mobile phone, her own expenses of £2,390 and £945 for inconvenience caused to Mr G's brother.

Halifax offered compensation of £500 for any problems caused by its handling of the mortgage application. Halifax also accepted that a refund of the valuation fee was due for the second property, which it said was £260.

Unhappy with Halifax's response, Ms K brought Mr G's complaint to us, where an investigator looked at it. He thought the £500 was fair, but thought Halifax should pay a further £100 for its errors in relation to the second valuation. He also noted that the second valuation fee was £280.

Halifax agreed with the investigator's findings, but Ms K didn't. She asked for an ombudsman to review the complaint.

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 confirm I've read everything provided by Ms K and Halifax. But I don't intend to reply to each and every point. No discourtesy's intended by that; it's a reflection of the informal service we provide. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral. It also allows me to disregard matters that don't come within the scope of the Financial Ombudsman Service.

So I will explain here that I won't be considering any of the following issues:

- Ms K's dissatisfaction with the surveyor who valued the first property. The valuation was done by an independent third party. Any complaint about the valuation would need to be addressed to that business. Halifax was entitled to rely on the surveyor's opinion about the value of the property and its suitability as security for a mortgage.
- Any complaints about Halifax that relate to Mrs K or other family members. This complaint is about Mr G's mortgage application. Our rules say that I can consider a complaint from Mr G as a customer of Halifax. The complaint has to arise directly from *his* relationship as a customer of Halifax.
- Although Ms K might have had problems with Halifax when arranging a transfer out of her own account, that relates to *her* customer relationship with Halifax, not Mr G's. If Ms K is unhappy about the service she received from Halifax in respect of her account, she'd need to raise that as a separate complaint with Halifax.
- Likewise, Mr G's brother isn't a party to this complaint. So I won't be considering any claim for compensation he might have for any inconvenience to which he's been put while Mr G stayed with him.

Having considered everything both parties have said, I think the compensation Halifax has already agreed to pay is sufficient. I'll explain why.

I can fully understand that it was disappointing for Mr G to lose out on the first property he wanted to buy. The decision not to lend on it was entirely within Halifax's discretion and it was not, as Ms K believes, a "*poor decision*" – because it's up to Halifax to decide the level of risk to which it is prepared to be exposed when lending money. As the property didn't fit its risk profile, Halifax was perfectly entitled to decide not to accept it as security for a loan.

I think Halifax might have seen the mining report sooner, as Ms K and the broker had passed this to Halifax. But I also think the staff they were dealing with might not have appreciated the significance of it. In any event it's up to the solicitor to advise Halifax of any mining issues that might affect the property.

When the solicitors reported that the local search had revealed mineworks, Halifax considered the mining report, which the solicitors had also sent it. But I think even if Halifax had seen the report sooner, it wouldn't have made any difference to the outcome, as the property wasn't suitable for Halifax to lend on it.

Ms K says that there are mineworks all around that area of the country. If that's the case, in the circumstances, it wasn't unreasonable for Halifax to wait until the solicitors reported on what the local search had revealed about mineworks. That local search would reveal any entries that affected a particular property.

Mrs K has commented on Halifax's procedures in relation to mining searches. She says that in mining areas Halifax should instruct its surveyors to carry out their own search and not rely on solicitor to tell them. I can't tell Halifax how to run its business. And in any event, the Council of Mortgage Lenders requires solicitors to report any mining entries on a search in order that the lender can then make further enquiries.

Ms K says that Halifax was directly responsible for preventing Mr G from receiving a mortgage from another lender to purchase the first property. There is nothing in the evidence to persuade me this is the case.

Halifax has acknowledged there were delays in this application, and I think the £500 it's offered for the trouble and upset this caused is fair and reasonable.

I'm glad to see Mr G found another property to buy. This was more expensive than the first property. Ms K says that by the time the second property was found "*prices had risen so high [Mr G] was forced to pay £118,000 for another three bedroom house. Therefore the difference in the first mortgage and the second mortgage is £25,096. [Mr G] believes it is only fair that Halifax reimburse him for the additional cost of the property.*"

If I am to accept what Ms K says here, I would have to agree with her that house prices in the area had risen by 33% in a few months – the difference between the price of the first property (£89,000) and the second (£118,000). This would be against all house price trends and would be an unprecedented anomaly. But I've checked several house price indices for that area, compiled from Land Registry data. They all show a marginal increase in house prices in that area over the period of no more than 0.3%.

It may well be that the first property was much cheaper than others because of the mining issues affecting it. But I can't see any basis upon which I can hold Halifax responsible for Mr G buying a property that cost more than the house he originally wanted, which in any event Halifax had valued at £0 for mortgage purposes. There is no evidence to support

Ms K's contention that house prices had risen by 33% over six months – and reliable indices show only a nominal increase.

I can see there were issues with the valuation on the second property. The valuer was given the wrong address, and this caused a slight delay. When he was able to contact the seller to arrange the valuation, the most convenient date was a week ahead.

There was also some confusion because several mortgage offers were issued, some of which had the address of the first property on them. This was probably due to human error or system issues. I can see that this caused Mr G some upset, as he thought he might still have been able to go ahead with buying the first property. As it had already been sold, this wasn't possible.

Ms K says that when it was discovered the property had been sold to someone else, she and Mr G were devastated. But it's up to the seller to tell Mr G he'd sold the property – and he was under no obligation to do so. Halifax has nothing to do with the seller and so I can't see that Halifax can be held responsible if the property it had refused to lend on had been sold to somebody else.

Halifax offered another £100 for any errors relating to the second application. I think this is fair in all the circumstances. There was a slight delay and some inconvenience for which I think £100 is fair compensation.

In this particular case, Halifax shouldn't have charged a second valuation fee, and I can see that it agreed to refund £260. I understand the actual fee was £280, and Halifax has accepted the further amount is due.

I understand from the application form that Mr G had been living with Ms K in the property she was selling. At the outset, Ms K said that it had been intended that her sale, her new purchase and Mr G's purchase would all go through together. It would be up to solicitors and estate agents to ensure that the transactions completed simultaneously.

But Ms K sold her property and bought her new one at the end of June 2016, before Mr G was ready to go ahead with his own purchase. I don't know if this was on the advice of her solicitor, at the urging of estate agents or because Ms K didn't want to lose her seller or buyer (or both). But the effect of Ms K selling her property and moving to a new one was that it then transpired Mr G had nowhere to live.

I appreciate Ms K says that, if Halifax had made its decision not to lend earlier, then she could have deferred her sale and purchase. But the decision to exchange contracts and commit to the transactions was Ms K's. I think she would have known at the time she committed to her sale and purchase that Mr G wasn't in a position to proceed on his own purchase, and so the transactions couldn't have completed simultaneously. I don't see that Halifax can be held responsible for this.

I'm sure Mr G didn't think at the time that his purchase would take another six months from when Ms K sold the home he was living in. Buying a property is a stressful experience, and this transaction didn't go as smoothly as Mr G had hoped and took much longer than anticipated. But in all the circumstances, I don't think there is any basis upon which it would be fair or reasonable to order Halifax to pay the compensation Mr G is claiming for himself, his mother and his brother.

my final decision

My decision is that I partly uphold this complaint. In addition to the £500 already offered, Bank of Scotland plc (trading as Halifax) must pay Mr G a further £100 for trouble and upset and reimburse the full valuation fee of £280.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 November 2017.

Jan O'Leary
ombudsman