

complaint

Mr and Mrs D complain that Aldermore Bank Plc turned down their mortgage application after agreeing it in principle.

background

After issuing its decision in principle, Aldermore turned down Mr and Mrs D's mortgage application. Mr and Mrs D had paid a holding deposit to the developer (as it was a new-build property) and instructed solicitors. Following their complaint, Aldermore offered to pay them £100 for the inconvenience caused.

Our adjudicator said Aldermore didn't have to refund Mr and Mrs D's costs as the decision in principle was clear that it was not binding. She thought £100 compensation for the inconvenience was fair.

Mr and Mrs D didn't agree, saying they wouldn't have paid out the money if they hadn't been told the application was agreed in principle.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I find that I have come to the same conclusion as the adjudicator, for much the same reasons.

Aldermore sent Mr and Mrs D an agreement in principle which said:

"Our lending criteria and products may change from time to time and the amount we are prepared to lend can only be properly assessed at the time you make a full mortgage application."

"This Decision in Principle does not constitute an offer to lend and you should not enter into a legally binding commitment until you have applied for and received a full mortgage offer."

Banks are entitled to use their commercial judgement when making lending decisions. We wouldn't usually seek to interfere with that. I find that Aldermore fairly assessed the application against its lending criteria.

Aldermore has apologised for raising Mr and Mrs D's expectations by agreeing in principle to lend the money. And for this it's offered to pay Mr and Mrs D £100 which I consider to be fair and reasonable.

Aldermore made it clear that the decision in principle wasn't a formal offer to lend, and that no actions should be taken based on it. Mr and Mrs D chose to instruct solicitors and pay a holding deposit despite that, so I don't find Aldermore should refund the costs Mr and Mrs D incurred.

my final decision

My decision is that the offer by Aldermore Bank Plc to pay Mr and Mrs D £100 is fair and reasonable in all the circumstances. I leave it to Mr and Mrs D to decide if, on reflection, they now wish to accept that (if they haven't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 11 April 2016.

Julia Chapman
ombudsman