

complaint

This complaint is about a mortgage Ms R took out in 2019 on the advice and recommendation of London and Country Mortgages Ltd ("L&C"). Ms R is unhappy that her fixed rate deal doesn't run for two full years from completion, but instead has a specified end date. To settle the complaint, Ms R would like a refund of the product fee she paid, or for the fixed rate deal to be extended so that it runs for the full two years.

background

On 30 August 2018, L&C issued a mortgage illustration (known fully as a key features illustration or "KFI") for a mortgage of £365,000 plus fees, on an initial deal of 1.54% fixed until 30 November 2020, from a lender I'll call "H". Ms R applied for the mortgage, was accepted for it, and on 7 November 2018, H issued its mortgage offer. This too listed the deal as being 1.54% fixed until 30 November 2020.

Completion of Ms R's purchase (and therefore commencement of the mortgage) was delayed until March 2019. Ms R says this means her fixed rate should run until March 2021; L&C didn't agree, and nor did H in response to a separate complaint. When this complaint came to us, our investigator didn't think L&C had done anything wrong. Ms R has asked for her complaint to be reviewed by an ombudsman, saying that L&C should have come back to her during the delay period to check if she was still happy with the deal it had recommended.

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 have disappointing news for Ms R; I don't think L&C had done anything wrong either.

Mortgage deals typically run for a fixed duration from the start date or until a specified end date. The latter is far more common than the former, and the product L&C recommended was the latter.

I've considered first of all whether the mortgage product was a suitable recommendation in the first place. L&C's covering letter of 30 August 2018 recorded that Ms R had expressed a preference for a mortgage rate that was fixed for around two years. That being so, a product with a fixed rate running until November 2020 seems to me to have been eminently suitable.

I've then considered whether L&C somehow mis-represented to Ms R how the fixed rate it was recommending would work.

The illustration issued on 30 August 2018 set out the main terms of the proposed mortgage, in a format prescribed and approved by the regulator of mortgages, the Financial Conduct Authority. That document specified that the recommended product would run until 30 November 2020. The offer that H issued on 7 November 2018 followed broadly the same format, and said exactly the same thing.

I appreciate that the timing of the mortgage offer meant that the product end date was two years hence; that's why the offer predicted Ms R would make 24 payments at the fixed rate. But in the equivalent section of the KFI, it said:

“These payments are based on a mortgage of £365,999 and includes the fees that are shown in Section 8 as being added to your mortgage, and assumes that the mortgage will start on 01 September 2018

27 payments at a fixed rate of 1.54%
Followed by
273 payments at a variable rate, currently 3.94%

(my emphasis)

In my view, this makes it apparent that the rate didn't have a fixed duration but a fixed end date. Bearing in mind that this complaint is about what L&C told Ms R, I'm not persuaded it misled Ms R. In my view, Ms R should reasonably have understood that the product had a fixed end date. Depending on when the mortgage started, that could mean it lasting for more or fewer than 24 months.

On Ms R's point about L&C checking to make sure the deal still suited her, the covering letter of 30 August 2018 invited her to get in touch at any time before completion if she wanted it to conduct such a check. It's not something L&C had to prompt or remind Ms R to ask for.

my final decision

I don't uphold this complaint. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 6 March 2020.

Jeff Parrington
ombudsman