

complaint

C Ltd complains that Paragon Bank Plc unfairly and unreasonably declined its mortgage application. It wants an apology.

background

C Ltd, a property company, applied for a mortgage from Paragon through a broker. Paragon refused as the individual who owned C Ltd conducted spread betting with a betting business. Paragon felt that this was high risk. C Ltd felt that this was discriminatory and said that the spread betting was consistently profitable.

C Ltd complained to Paragon. It said that mortgage applications were subject to a full assessment and lenders had the right to decide to whom to lend and on what basis. Paragon confirmed that the mortgage application had failed due to the considerable betting transactions in the bank statements it had seen. It wasn't persuaded by C Ltd's appeal.

C Ltd complained to us. The investigator's view was that Paragon wasn't at fault. It had the right to decide whether to give a mortgage and to consider all financial matters connected to C Ltd, including the individual behind the company. The investigator didn't think that Paragon had applied its lending policies unfairly or unreasonably and didn't uphold the complaint.

C Ltd disagreed. It said the spread betting was carried out by its director and was shown in his personal bank statements; it didn't think it was relevant to its application. C Ltd said that while Paragon might have absolute discretion, it should apply it reasonably. The investigator said that Paragon made a commercial decision and applied its lending policies reasonably.

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 appreciate that C Ltd feels that Paragon has discriminated against it. But lenders are able to assess income streams and exclude those it views as unstable or not secure enough to ensure a loan is affordable. This isn't a breach of the Equality Act 2010 and indeed ensures compliance with a lender's duty to ensure that a loan is affordable. It's also correct that lenders are able to use their commercial judgement and can decide to whom to lend and on what basis, provided that they apply its judgement fairly and reasonably.

Paragon's lending policies allow it to exclude income from its consideration. It has an absolute discretion. While C Ltd itself wasn't undertaking the spread betting, the director behind C Ltd was closely linked to its financial stability. His bank statements were provided to support C Ltd's application and to show rental income. Paragon also had the right to ask that individual to be a guarantor of the loan as he was a director. It also considered the appeal by the broker, who also said the income was spread betting.

In essence, this dispute is about the perception of spread betting. Paragon says it's high risk. I can't say that's an unfair or an unreasonable view, even if an individual has a good track record in spread betting. Just because a view that spread betting isn't high risk could be justified doesn't mean Paragon can't form its own opinion. Other lenders can take different views. Spread betting is gambling, which by its very nature isn't certain. I can't say that Paragon unfairly or unreasonably applied its lending policies or acted wrongly in refusing the application of C Ltd due to concerns about its financial stability and that of its director upon which it was dependent.

my final decision

My final decision is that I don't uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask C Ltd to accept or reject my decision before 8 May 2019.

Claire Sharp
ombudsman