

complaint

Mr and Mrs M complain that Yorkshire Building Society ("YBS") didn't treat them fairly or reasonably when they applied for a mortgage. They want compensation and an acknowledgement from YBS that it was at fault.

background

Mr and Mrs M applied for a mortgage to buy a property to YBS. They said that it provided conflicting information about what information they needed to provide about Mr M's income throughout the process, and ultimately offered significantly less than stated in the decision in principle. YBS wasn't satisfied by the evidence about Mr M's income, but he said that he had declared the position from the start of the process. Mr and Mrs M said they'd wasted time and money, and lost earnings, dealing with YBS. They did buy the property in the end with a mortgage from another lender.

Mr and Mrs M complained to YBS. It said that the application was complex due to Mr M's income and business; there were also problems in verifying Mr M's income as the information from third parties didn't match what was declared. YBS explained that it was required to ensure the mortgage was affordable. It also said that decisions in principle were only an idea of what could be lent and it was made clear the final figure could change after a full application and assessment. This is what happened in Mr and Mrs M's case.

YBS said it was willing to review if an independent third party confirmed Mr M's income and paid £400 compensation for any trouble and upset caused by failing to clearly summarise what was required to progress and poor communication about what might be required in the future, together with £48 towards accountancy fees caused by YBS' requests. It also offered another £100 compensation for delays regarding the survey. It also explained that it had requested information more than once when it hadn't received the information the first time.

Mr and Mrs M complained to us. The investigator's view was that the compensation paid and offered for poor customer service and delays was fair and reasonable in all the circumstances. And he pointed out that lenders could apply their own lending policies when deciding how much to lend; he couldn't say that YBS had acted unfairly or unreasonably in applying its policies to Mr and Mrs M.

But the investigator thought YBS should refund £480 paid for structural engineer advice and a timber damp survey (with interest) because if YBS had managed the process better, it would've avoided the need for these fees at all. It didn't in his view properly warn Mr M how difficult the application would be, and could've held off asking for the surveys until an offer was made (as affordability was much more of an issue). He didn't think the valuation fee should be refunded as it was needed to progress the application. The investigator thought YBS should pay the outstanding £100 compensation.

YBS disagreed. It was willing to arrange payment of the outstanding £100 compensation once the offer was accepted. But YBS said it required the surveys due to the comments in the valuation; it didn't want to cause further delay by waiting to see if an offer for the amount sought would be given. YBS also pointed out it didn't want to make an offer for a property which wasn't suitable. It agreed to pay £480 plus interest though. Mr and Mrs M also disagreed with the investigator's view. They accepted that YBS could apply its lending policies but felt they'd been disadvantaged by its failings. Mr and Mrs M wanted the errors made by YBS highlighted, and said they'd incurred storage costs by not moving as planned.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

There's no doubt that Mr and Mrs M's mortgage application was complex due to Mr M's income and the various sources from where it came. I also accept that Mr M made the position clear from the start of the application. But equally, lenders have to ensure income is verified and that any loan given is affordable. While it might be frustrating, lenders can also ask for additional information if it helps with the consideration of the application. And lenders can apply their lending policies to decide how much to lend, as Mr and Mrs M accept.

Having looked at the evidence available to me, I can see YBS didn't get information sent to it from various parties, which is why it asked for information more than once. And there were difficulties in getting the information it needed to progress the application. But as YBS accepts, it did also cause delays and failed to clearly set out at all times what information it needed to progress the application. Given the complexity of the situation, being clear was even more important than usual. I'm not persuaded that Mr and Mrs M's expectations were managed as well as they should've been.

That said, Mr and Mrs M weren't given a guarantee of lending or promised a mortgage offer by a particular date. They chose to move and put property into storage. Decisions in principle are only an indication of what can be borrowed. In light of this, I think it wouldn't be fair or reasonable to refund storage costs. It's clear that Mr and Mrs M did suffer trouble and upset, but money never really truly compensates for distress or inconvenience. Mortgage applications require consumers to commit time and effort to the process so I can't say it's fair or reasonable for Mr M's lost earning time to be compensated. I think £500 compensation is fair and reasonable in all the circumstances, and reflects the trouble and upset caused by the delays, failure to clearly set out what was required, and the raised expectations which were then dashed. As only £400 has been paid, YBS should pay the outstanding £100.

This leaves the issue of professional fees. I think the refund of £48 for accountancy fees was fair and reasonable in the circumstances. I also think that as the valuation was required to progress the application, it wouldn't be fair or reasonable to refund that fee. I thought about whether it was fair and reasonable to refund the engineer and timber damp survey fees, given Mr and Mrs M ended up buying the property anyway and could've used those surveys to get the mortgage from the other lender. Generally, if a survey can be reused, I wouldn't require the fees to be repaid.

But the circumstances of this case are unusual. It was clear from the outset that Mr M's income was varied and needed verification. As the application proceeded and was considered by several senior underwriters, it became even clearer that affordability was a real concern due to Mr M's income streams. Normally, I'd agree that all the surveys should be obtained before an offer is made, but it is possible to make an offer with conditions that it can only be relied upon once satisfactory specialist surveys are obtained.

Given the facts in this case, it would've been fair and reasonable to deal with affordability first and tell Mr and Mrs M finally how much they were likely to be able to borrow from YBS before requiring specialist reports. That's because it was obvious that affordability was such a major issue in this application. As a result, it's fair and reasonable for the engineer and damp survey fees to be refunded, together with interest of 8% simple a year from the date of payment (and I think 10 September 2015 is a reasonable date to choose for the engineer survey and 11 September 2015 is a reasonable date for the damp survey) to the date of settlement by YBS.

my final decision

My final decision is that I uphold the complaint and Yorkshire Building Society should pay £100 compensation (as previously offered), £480 for the engineer and damp survey costs, together with 8% simple interest as outlined above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 8 May 2018.

Claire Sharp
ombudsman