

The complaint

Mr and Mrs S complain about the fixed rate product provided on their Metro Bank PLC (Metro Bank) mortgage. They say that Metro Bank should have changed them to a fixed rate product with a lower interest rate when it offered to lend them less than they applied for and the Loan to Value (LTV) decreased. Mr and Mrs S also complained about a lack of transparency and the speed of the service they received from Metro Bank.

What happened

Mr and Mrs S applied for a mortgage with Metro Bank after receiving advice from their mortgage broker. The product applied for was a five-year fixed rate at 2.79%. The LTV was 85%.

The application was submitted to Metro Bank by the broker on 28 April 2022, and it was acknowledged by Metro Bank on 11 May 2022. On 20 May 2022, Metro Bank told the broker not all of the required documentation had been provided and requested self-assessment tax returns for Mr and Mrs S, which Mr and Mrs S said were provided to their broker on 25 May 2022.

On 9 June 2022, an underwriting assessment was completed by Metro Bank. It wrote to Mr and Mrs S' broker that day to inform him affordability checks weren't met when Mr and Mrs S' buy to let property costs were included. It requested the broker provide an up-to-date credit report and further information about Mr and Mrs S' pensions.

Mr and Mrs S said their broker requested information about their pensions on 10 June 2022 which they returned soon after. On 15 June 2022, Metro Bank wrote to the broker again as the credit report was still outstanding. Mr and Mrs S said their broker asked for this information on 23 June 2022 which they provided soon after. On 27 June 2022, Metro Bank wrote to Mr and Mrs S' broker to say it could only lend an amount lower than had been applied for. It asked how Mr and Mrs S wanted to proceed.

Mr and Mrs S said the broker let them know on 8 July 2022 that Metro Bank would lend a lower amount to them which brought the LTV to around 63%. Mr and Mrs S said no explanation was given to them about how this amount had been calculated.

Mr and Mrs S confirmed they wanted to go ahead with the lower loan amount in early July and would make up the shortfall using another source of funds. Metro Bank requested evidence of sufficient funds to cover the deposit and repayment commitments for the new loan amount and Mr and Mrs S confirmed the shortfall would be paid from their pension. On 14 July 2022, Metro Bank wrote to the broker to advise the shortfall being used from the pension would need to be deducted from the income assessment, so affordability checks wouldn't be met for the new loan amount.

Mr and Mrs S have told us they were under a lot of pressure as their purchase could have potentially fallen through. The seller had a deadline to sell of 29 July 2022. The broker wrote to Metro Bank on 15 July 2022 to provide evidence of this and Metro Bank agreed to instruct a valuation in advance of the borrowing being agreed. Mr and Mrs S said their broker told

them on 20 July 2022 that they wouldn't be able to borrow as much if they took the shortfall from their pension, so they decided to use their savings to make up the shortfall.

Metro Bank contacted the broker again on 27 July 2022 to ask how Mr and Mrs S wanted to proceed. Metro Bank said on 28 July 2022 it was told Mr and Mrs S would use their savings and it was provided with the required documentation to evidence this.

On 1 August 2022, Metro Bank issued a mortgage offer to Mr and Mrs S a mortgage for a reduced amount with the same five-year fixed rate product at 2.79%. The LTV was now around 63%. The mortgage completed after this.

On 31 January 2023, Mr and Mrs S complained to Metro Bank that the interest rate applied at 2.79% was for when they had an 85% LTV, but as the LTV had been decreased to around 63%, they should have been able to get a lower interest rate product. They also complained about the lack of transparency from Metro Bank and slow service received.

Metro Bank sent its final response letter on 9 February 2023. It disagreed it had made an error. It said it was the broker's responsibility to advise on a suitable product and it had offered the interest rate the broker had applied for. It said documentation had not been provided by the broker in a timely manner and at each stage of the assessment an email had been sent to the broker with the outstanding requirements as well as being available on their broker portal.

Mr and Mrs S didn't accept this and referred their complaint to our Service where one of our Investigators looked into the complaint. Our Investigator didn't think the complaint should be upheld. She thought it was the broker's role to ensure the mortgage met their needs of Mr and Mrs S, including ensuring the product selected was appropriate.

Mr and Mrs S didn't accept this. They responded in detail. In summary, they said that their complaint about the incorrect interest rate being applied hadn't been addressed. They said that at the time there was a five-year fixed rate product for 2.44% available if the LTV was under 75% and Metro Bank should have offered them this rate when it changed the loan amount offered and reduced the LTV.

As Mr and Mrs S didn't agree with our Investigator, the complaint has been passed to me to consider and make a final decision.

What I've decided – and why

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

Mr and Mrs S have responded to our Investigator in considerable detail. I understand Mr and Mrs S's main concern here is about the interest rate they were offered by Metro Bank and the service they received. I want to reassure them that I've read and thought about everything they've said. I may not address each and every point they've raised. That simply reflects the informal nature of our service. Instead, I've addressed what I consider to be the crux of their complaint. I hope they won't take that as a discourtesy.

I've reviewed the Residential Mortgage Product Guide provided by Metro Bank which shows the range of products offered by Metro Bank at the time of these events. I think it's important to explain that each of the interest rates offered here is a different product, each has its own unique product code and not all products would have been available to Mr and Mrs S.

Mr and Mrs S received advice from their broker based on their circumstances. They applied

for a product with an interest rate of 2.79%. The broker recommended this as it was the best product for their needs which was available to them with an LTV of 85% which is what they wanted to borrow at the time of the application.

The amount that Mr and Mrs S were ultimately able to borrow from Metro Bank was less than they had applied for originally due to affordability concerns from Metro Bank. It's up to Metro Bank to decide who to lend to and at what level. However, as the mortgage had been submitted by a broker, it was the broker who was responsible for changing the product to a lower rate if he considered there was now a better option for Mr and Mrs S given the lower LTV.

Mr and Mrs S think Metro Bank should have changed their offer to a different product with a lower interest rate available with an LTV of less than 75%, which theirs now was. And it may have been the case that this product would have been available to them if they had applied for it. But, as I've said above, Metro Bank wasn't responsible for providing advice to Mr and Mrs S about which products to apply for or change to. Mr and Mrs S had paid for a broker to advise on their needs, and it would be the broker's responsibility to ensure the product applied for was still in their best interests after the LTV had been decreased.

If Mr and Mrs S had wanted to change to a different product after learning their LTV would be less, they would have needed to request this with Metro Bank. I haven't seen any evidence that this was done by Mr S, Mrs S or their broker. And I wouldn't expect Metro Bank to change the product Mr and Mrs S had been advised to take and had applied for without it being instructed to do so.

I appreciate Mr and Mrs S feel strongly about these matters and I'm sorry to disappoint them. But I don't think Metro Bank acted unreasonably here, so I won't be asking it to amend the interest rate it's charging.

I've also considered whether I think Metro Bank acted unfairly in the time it took to process this application or with the transparency of its decisions. And I don't think it has.

I appreciate there was an initial wait from 28 April 2022 when the application was submitted to 20 May 2022 when the broker was informed not all the required documentation was provided. I agree this is a long time to wait, but Metro Bank has said the standard turnaround times were available on its broker portal and this was within its timeframes. I also don't think it is unusual for it to take longer where not all of the documentation required was provided.

I'm satisfied Metro Bank made it clear to the broker from 9 June 2022 that it wouldn't be able to offer the loan amount applied for with the information it had, and the reasons for this. And it made it clear what further information it needed. I've reviewed the underwriting checklist and communications that were sent to the broker, and I think it was clearly explained why the affordability criteria wasn't met.

The requested information wasn't received in full until early July 2022, when it was agreed Mr and Mrs S would proceed with a lower loan amount. Metro Bank needed to carry out an assessment for the lower amount, which was appropriate for it to do. Information was requested on 14 July 2022, and it wasn't received by Metro Bank in full until the end of July. The mortgage offer was then issued on 1 August 2022. So, I don't think Metro Bank caused any unnecessary delays here once it had the required information. I also think it was clear in its communications about what was needed. If the broker didn't pass on the instructions or information in a clear manner, I can't hold Metro Bank responsible for this.

In summary, I don't think Metro Bank treated Mr and Mrs S unfairly and I won't be asking it to take further action.

My final decision

Whilst I recognise Mr and Mrs S feel very strongly about this matter, I don't uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 17 April 2024.

Rob Deadman
Ombudsman