

The complaint

Mr M's complaint is about a mortgage application he made to Cabot Court Financial Services Limited trading as Precise Mortgages. He is unhappy the application was declined and believes discrimination was behind the rejection of the application and the resultant losses he suffered.

Mr M wants Precise to refund the costs he incurred – legal, broker and valuation fees – along with a compensation payment for the unfair and discriminatory treatment he has suffered.

What happened

In the summer of 2022 Mr M approached an independent mortgage broker for mortgage advice. The broker recommended a mortgage with Precise and it issued a decision in principle (DIP) at that time. He subsequently put in a full application on 2 August 2022. On 6 October 2022 the application was declined. Mr M complained.

Precise responded to the complaint in its letter of 8 November 2022. It highlighted that the DIP didn't guarantee a full application would be accepted and any such application would be subject to a full assessment by Precise's underwriters. It confirmed that there were concerns about the transparency of the overall transaction. Precise also confirmed it was not required to disclose specifics about its decision to decline the application.

Mr M didn't accept Precise's response and referred the complaint to the Financial Ombudsman Service. When he did, he told us that he believes the application was declined because of discrimination due to his nationality and because Precise didn't want to honour the interest rate product he had booked, due to the expected increase in interest rates. Mr M also told us that his hopes of buying a property have been dashed for the foreseeable future due to changes in the mortgage market and to government assistance schemes.

One of our Investigators considered the complaint, but he didn't recommend that it was upheld. He explained the purpose of a DIP and that it didn't commit a lender to lend. He confirmed that we could not release details about Precise's lending criteria, but having reviewed the information provided, he was satisfied the application had been subject to Precise's normal assessment and Mr M had not been treated any differently from any other applicant. In relation to Mr M's concern that he hadn't been given a clear, specific answer as to why his application was declined, the Investigator confirmed that Precise didn't have to provide that information, again because lending criteria and policies are commercially sensitive and not something we would expect a lender to release to an applicant.

Mr M didn't accept the Investigator's conclusions and asked that the complaint be referred to an Ombudsman for consideration. He said that he thought the application process was unfair, unclear and misleading in relation to the practice of issuing DIPs that need verification, rather than undertaking a full assessment immediately. This means that significant sums of money are required to be paid in advance in the form of valuation, product and legal fees, which he considers is unfair on applicants. In addition, he maintained that no clarity had been provided about how Precise had applied its lending policy to his

application and what evidence was provided to us, particularly in relation to his claim of discrimination based on his nationality.

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.

I would initially respond to Mr M's comments about the concept of and practice of issuing DIPs being unfair. Our role is to consider individual complaints between customers and financial services businesses. We have no power to tell a financial business what processes and procedures it should have in place, let alone determine what an entire business sector should or shouldn't do. That is the role of the industry Regulator, the Financial Conduct Authority. As such, while Mr M doesn't like the process of DIPs being issued, with a subsequent full assessment of an application, that is not something I can make findings on.

I appreciate Mr M's strength of feeling regarding this complaint. I'd like to assure him that I have read and considered everything he's told us. I understand our Investigator's findings were disappointing. It's the nature of what we do that we generally have to find in favour of one party or the other. Our findings are based on consideration of all the facts and all the submissions made by both parties. We look at what happened and decide whether, bearing in mind any relevant law, regulations, and good industry practice, the lender acted fairly and reasonably.

Our Investigator explained the role of a DIP, so I won't repeat it again, but quite simply, the DIP should not have been taken as a guarantee that Precise would lend to Mr M. His broker would have explained this to him at the time of the application, and it was confirmed in the DIP document. It is unfortunate that Mr M believed the issuing of a DIP meant something more than it did, but I can't hold Precise responsible for that misunderstanding.

A lender is not obliged to explain to an applicant why it has declined their application and so I can't find that Precise acted inappropriately in not providing a detailed explanation of its reason. Often when this happens it is because in order to provide a detailed explanation the lender would have to give the applicant commercially sensitive information. It is accepted that lending criteria is commercially sensitive and so it is not something we would expect a lender to share with a potential applicant or existing borrower.

That said, Precise has provided us with information about its lending criteria and its assessment of the application, which means that we are aware of the reason the application was declined. This service is allowed to accept evidence in confidence, and I am satisfied this is a case where it is appropriate for us to do so. As such, it would not be appropriate for us to provide Mr M with a copy of the information we have or provide him with more detail about the decision. However, I can confirm that having considered the evidence, I am satisfied that Precise completed its assessment of Mr M's application fairly and the decision it reached was a reasonable one. I can also assure Mr M that his nationality was not a factor in his application being declined, nor was the decision influenced because Precise didn't want to lend on the interest rate he had applied for.

As for the costs Mr M incurred and didn't receive a refund from, the only one that was directly the responsibility of Precise was the valuation fee. When an application is assessed fully it is not just the borrower that is assessed, but also the property they want to buy. This is to ensure that it is suitable security for the money being borrowed. As lenders are not property experts they employ suitably qualified external experts to complete the assessment of the property and determine its value. Such experts have to be paid and that is what the valuation fee is payable for. Once the valuation is completed, the fee is not refundable, which was made clear at the application stage. As such, I can't find the valuation fee should

My final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 22 November 2023.

Derry Baxter
Ombudsman