

The complaint

Mr S and Mrs S complain they weren't able to port the lifetime mortgage they held with more 2 life Ltd to a new property because its lending criteria were too restrictive. They also say they weren't given enough information about more 2 life's lending criteria and the limitations for porting the mortgage to a new property when they took out the mortgage in 2018. They also feel they received a lack of support and information when they were trying to port their mortgage to a new property in 2022.

Mr S and Mrs S say they were left with no option other than to end the mortgage early and they want more 2 life to refund the Early Repayment Charge (ERC) that was applied when they repaid the mortgage in 2022.

What happened

In 2018, Mr S and Mrs S took out a lifetime mortgage with more 2 life. This was sold via a broker. The loan amount was £194,700 with an interest rate of 5.51%, which was fixed for the life of the loan.

The mortgage offer set out the terms for the mortgage. Under the heading "3 what is a lifetime mortgage?", the offer said the following:

"If you buy a new home, you may be able to transfer your lifetime mortgage to your new home, or you may be able to get a new lifetime mortgage..."

And:

"If you decide that you simply don't want the lifetime mortgage anymore, you can repay the amount you owe to the lender at any time, but the lender may make an early repayment charge if you do. Section 13 of this Offer will tell you if any early repayment charges apply to this mortgage."

In 2022, Mr S and Mrs S asked to port the mortgage to a new property. But more 2 life declined the application. This was because it was its policy at that time not to lend on blocks of flats that had more than four storeys, and the property that Mr S and Mrs S had wanted to purchase was in a block of flats with more than four storeys. Mr S and Mrs S looked for another property, but they say once they received a list of more 2 life's main exclusions, it became clear that none of the properties in their favoured area would meet its lending criteria.

In October 2022, Mr S and Mrs S complained to more 2 life. In summary they said they were given very little information about more 2 life's lending criteria and the limitations for porting the mortgage when they took out the mortgage in 2018. They also felt its lending criteria were too restrictive and this had meant they were unable to find an acceptable property in their favoured area. They were also unhappy about the lack of support and information they felt they'd received when they were trying to find an acceptable property in 2022.

More 2 life issued a final response letter in December 2022, which didn't uphold the complaint. In summary, it said the mortgage offer made it clear that if Mr S and Mrs S wanted to move home and transfer the mortgage to a new property, the new property would need to meet more 2 life's lending criteria at the time. And the property Mr S and Mrs S wanted to purchase didn't meet its criteria. Because of this, it didn't think it had acted incorrectly and didn't agree to waive the ERC.

In December 2022, Mr S and Mrs S sold their existing property and redeemed their mortgage in full, incurring an ERC of around £13,000.

Unhappy with more 2 life's final response letter, Mr S and Mrs S referred their complaint to this Service.

Our Investigator didn't uphold the complaint. In summary, she said that more 2 life had clearly said in the mortgage offer that a new property would need to meet its lending criteria, and she was satisfied that the property Mr S and Mrs S wanted to purchase hadn't met its criteria. She said more 2 life was entitled to set its risk appetite and lending criteria, and whilst she thought it could have been clearer when initially explaining the reason for declining the application, overall, she felt it had acted fairly and reasonably. She also felt the ERC had been correctly applied and didn't ask more 2 life to refund it.

Mr S and Mrs S didn't accept the Investigator's findings. Amongst other things, they said their key concerns were that very few properties would meet more 2 life's lending requirements and it didn't suggest to them what type of property might be acceptable.

As agreement couldn't be reached, the complaint has been passed to me for 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 S and Mrs S's lifetime mortgage was sold by a broker. The broker was required to take reasonable steps to find out what Mr S and Mrs S's needs and circumstances were and to recommend a mortgage that was suitable for them. Mr S and Mrs S have told us that they weren't interested in moving home when they took out the mortgage in 2018. But if they had said that moving home was a possibility, it was for the broker to recommend a mortgage that was suitable for them and to explain any limitations where relevant.

More 2 life was required to provide Mr S and Mrs S with clear, fair and not misleading information. I've reviewed the mortgage offer and I can see that it clearly sets out that Mr S and Mrs S "may be able to transfer" the mortgage to another home. In Section 7 of the offer, under the heading "Risks – important things you must consider", it goes on to say:

"If you move home and want to transfer this lifetime mortgage to the new property, you can do so if the new property meets our lending criteria."

I think this makes it clear that the ability to transfer the mortgage was not guaranteed – it was subject to the new property meeting more 2 life's lending criteria. I don't think this is misleading.

Mr S and Mrs S feel strongly that more 2 life should have given them more information about its lending criteria when they took out the mortgage in 2018. However, lenders don't generally publish their full lending criteria in mortgage documents. This is because some of the criteria will be commercially sensitive, and lenders change their lending criteria from time to time. A reference in the mortgage offer to borrowers needing to meet lending criteria at the time ensures that borrowers are not making decisions relying on old, outdated criteria.

I don't consider there was any requirement for more 2 life to set out what its lending criteria were in any more detail than it did at that time. And I'm satisfied the information it provided in 2018 was clear, fair and not misleading.

Mr S and Mrs S also feel more 2 life should have provided them with more support and information about its lending criteria when they were looking to port their mortgage to a new property in 2022. Mr S says they were told about some exclusions such as more 2 life wouldn't lend on retirement homes or new build properties, but they weren't told about the acceptable number of storeys in a block of flats.

I've carefully reviewed all the evidence available to me, including more 2 life's contact notes, and whilst I do appreciate Mr S and Mrs S's frustration, I haven't seen anything that indicates more 2 life was made aware during Mr S and Mrs S's initial enquires that they wanted to purchase a flat. And I wouldn't expect it to list all of its requirements and limitations before an application was submitted.

Further, even if Mr S and Mrs S had made more 2 life aware they intended to purchase a flat during their initial enquiries, I don't think more 2 life would have had enough information to say with any certainty, any earlier than it did, that the property didn't meet its lending criteria. I say this because, in the application form Mr S and Mrs S went on to submit, they weren't able to confirm the number of storeys in the block. In response to the question "How many storeys?" they responded "TBC". So, this was something that more 2 life would have needed to determine and review as part of the application.

More 2 life's contact notes show that on 10 August 2022 Mr S was told that the application had been declined due to the number of storeys in the block. More 2 life went on to tell Mr S that the maximum acceptable number of storeys in a block was six, when the correct number was actually four. However, I can see that more 2 life emailed Mr S and Mrs S two days later and confirmed that the correct maximum number of storeys in a block was four. I haven't seen any evidence to show this error caused any detriment to Mr S and Mrs S.

More 2 life also provided Mr S and Mrs S with a list of its main exclusions a few days later. It went on to say that this was "not an exhaustive list, and there may be additional considerations which would cause us to decline a property...". Mr S and Mrs S have told us they found this statement concerning because they felt it meant that any property they found could be turned down.

Whilst I appreciate that Mr S and Mrs S may have wanted more information about the possible reasons and considerations for more 2 life declining an application, there's no requirement for a lender to disclose its full lending criteria and I'm satisfied more 2 life provided Mr S and Mrs S with sufficient information in the circumstances. Upon receiving a list of more 2 life's main exclusions, they were able to determine that they wouldn't be able to port the mortgage to a property in their favoured area.

Mr S and Mrs S have also complained that more 2 life's lending criteria are too restrictive and say this meant it was impossible for them to port the mortgage, unless they found an identical property to the one they were selling. I do understand their frustration. However, a lender is entitled to decide what level of risk it is willing to take when it lends, and that's not something this Service would normally look to interfere with.

It isn't uncommon for lenders to have certain restrictions when considering lending on flats. This is because they are generally considered to present a higher level of risk. Given this, I don't think more 2 life's criteria seem unreasonable.

I've gone on to consider whether more 2 life applied its criteria fairly when it declined Mr S and Mrs S's application, and I'm satisfied that it did. I say this because more 2 life has provided evidence to show that it was one of its criteria at that time not to agree to lend on flats in blocks greater than four storeys, and the flat that Mr S and Mrs S wanted to purchase was in a block with more storeys than this.

Mr S and Mrs S want more 2 life to refund the ERC that was applied when they ended the mortgage in 2022. But I don't consider more 2 life has acted unfairly or unreasonably by applying this charge in the circumstances. The mortgage offer sets out clearly when an ERC would be applied, and I'm satisfied more 2 life has applied the ERC in line with those terms. Mr S and Mrs S were aware of this charge when they made their decision to repay their loan early.

I do appreciate that this isn't the outcome that Mr S and Mrs S were hoping for, and they will be disappointed with my decision. However, for the reasons that I've explained, I'm not persuaded that more 2 life has acted unfairly and unreasonably in the circumstances and I won't be requiring it to refund the ERC that was applied in 2022.

My final decision

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 27 December 2023.

Michelle Griffiths
Ombudsman