

The complaint

Ms W complains about the advice she got from the appointed representative of HL Partnership Limited whilst she was in a Debt Management Plan ("DMP").

What happened

Ms W applied for a mortgage through HL in 2019. At the time Ms W had received a divorce settlement and had £60,000.00 available for a deposit on a property. Ms W was earning about £24,000.00 yearly. Ms W wanted to buy a house for £105,000.00 and so required a mortgage of £45,000.00. Ms W also was in a DMP following the breakdown of her mortgage of about £29,000.00.

Ms W bought the property in March 2020 and had a two-year fixed rate product. Ms W was looking for another product but found out from her lender that very little of the mortgage balance had been paid off and that the interest rate was 9.9% pa as she had understood the rate was to be just under 6%pa.

Ms W's understanding from speaking to other mortgage advisors that it would have been better for her to pay off the DMP and pay half the deposit. Without the DMP she might have been able to get a lower rate of interest and pay off more of the mortgage balance and now have a greater choice of mortgages with the DMP several years behind her.

Our investigator didn't recommend that this complaint should be upheld as he didn't feel that HL had done anything wrong. Ms W disagreed saying in summary that she feels that she wasn't given any advice at all.

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.

There appear to be two main issues here. Firstly, whether Ms W should have been told to pay off her DMP before applying for her mortgage and so increasing the amount of the deposit and whether she should have been aware of the interest rate she would have to pay.

Ms W approached HL to get a mortgage to buy a house. Ms W realised that because she had a poor recent credit history that she might have difficulties getting this otherwise as she says herself she could have gone to her bank. HL says that if she wanted to buy the house and pay off the DMP – which cost £53 per month, that her monthly mortgage costs would have gone up from £288 per month to £757. HL says that asking Ms W to increase these payments would have been irresponsible given the fact that previously Ms W had difficulty maintaining her credit agreements sparking the DMP. Secondly HL says that, in any case her lender wouldn't have lent the extra £30,000. So, HL says that it the advice to keep the DMP and take a mortgage of £45,000 was the most suitable advice in the circumstances.

It seems to me that if Ms W wanted to buy a house for £105,000 given her financial circumstances that the advice from HL was suitable. I can see the benefit of paying off the

DMP, but I can't see from the evidence how buying the property would be affordable if that were done. Ms W says that it might have been more sensible to not buy the house and wait a few years if she had been advised to do that. But Ms W came to HL for a mortgage to buy a house and I can't fault HL if it provided her with the mortgage most suitable to her circumstances. Ms W had already been to a debt management adviser and would have been aware that with time and with payments being repaid promptly that her credit profile would improve but she approached HL for a mortgage to buy a property at that time and I believe that HL discharged its duty to Ms W by recommending the most suitable mortgage for her circumstances that would allow her to do it.

It was then for her to decide whether given her poor credit situation if she wanted to accept that advice or not and go ahead with the purchase. I note that in her recent email to us Ms W suggests that its possible she could have got a better deal in 2020 than she got. But I don't consider that the evidence she has produced is sufficient to challenge the evidence produced by HL that suggests it obtained the most suitable mortgage for Ms W in the circumstances.

The other issue is that Ms W had several quotes and was shocked to learn the interest rate that she is now paying given that she was quoted a lower figure. I note that the broker approached several lenders in December 2019 and had to get several quotes because of Ms W's credit record. I've seen quotes at 5.99%, 7.9% and finally 9.99%. The mortgage illustration for this last rate was produced on 7 January 2020 and resulted in mortgage offer dated 4 February 2020 based on that rate. Its clear that the broker and lender made Ms W aware of the interest rate and the payments she would have to make.

It was then Ms W's decision whether to proceed with it, but I can't see that the broker has done anything wrong. Ms W says that at the time she became aware of the cost of the mortgage that she had gone too far in the moving process to turn back. But her decisions in regard to the house purchase process are not the brokers who is only sourcing a mortgage for her. Ms W appears to have decided to make a number of decisions before being aware of what mortgage she was going to get - paid solicitors, movers, gave her notice in at work, gave her notice in on her tenancy – so that she felt pressured to take the mortgage on offer and seeks to blame the broker for that. But those decisions were her own and not the brokers. Ms W says she wasn't informed of the rate change before she made these decisions.

But Ms W had no mortgage offer before the rate of 9.99% so any of these decisions were made by her before she had a mortgage offer. I see no evidence that the broker confirmed that she would get a mortgage at a lower rate than 9.99%. There were certainly quotes but not offers. Ms W's decision to proceed with these decisions and incur the expense she did before getting a mortgage offer is a matter for her rather than the broker but certainly suggests that Ms W was eager to purchase this property. But after considering this matter at length I can't say that the broker did anything wrong and I can't fairly uphold his complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 13 October 2023.

Gerard McManus
Ombudsman