

## **The complaint**

Mr and Mrs N complain that TSB Bank plc (TSB) treated them unfairly during a recent application to take out a fixed rate and convert their mortgage to a Buy to Let (BTL).

## **What happened**

Mr and Mrs N hold a mortgage with TSB which at the time of the complaint, had been operating as a Consent to Let (CTL) for approximately two years with the CTL agreement due to expire in November 2023.

They have explained that as their fixed-interest rate product was due to expire in November 2022, they decided to approach TSB in August of that year to explore taking out a new rate while also changing the mortgage to a BTL.

Mr and Mrs N have explained the series of events and errors that followed. I have summarised their submissions below:

- The application was significantly delayed by the adviser making mistakes at the start of the application - using the incorrect affordability calculator and being unsure as to what had gone wrong as well as suggestions of a systems error;
- The adviser asked Mr and Mrs N to increase the rental amount to £2,000 to pass affordability which led to great stress on the part of the tenant with whom they now have a strained relationship;
- The survey significantly and unfairly down valued their property; and
- TSB asked Mr and Mrs N to source a letter confirming that the remedial works on the building were due to start within six months with the suggestion that if they did this, it would honour the rate and application – only to find out after having sourced such a letter, that it would not change the valuation.

The application was ultimately declined as it did not meet TSB's lending criteria. Unhappy with this, Mr and Mrs N complained.

TSB investigated the complaint and upheld it in part. It accepted that its advisers had made errors which delayed the application process, caused Mr and Mrs N to source unnecessary documents and that it could've told them sooner than it did, that it would not be able to offer them a BTL mortgage. It did not accept that it had told Mr and Mrs N to increase their rental income to £2,000 nor did it agree that the surveyor's valuation was incorrect.

To acknowledge the delays and incorrect information its advisers had provided, it issued Mr and Mrs N with £300 in compensation. It also offered further compensation should they be able to source a BTL mortgage elsewhere on a rate more favourable than its standard variable rate (SVR).

Unhappy with TSB's final response, Mr and Mrs N referred their complaint to our service.

They have told us and TSB that the property in question is unable to be sold at present as it is impacted by the cladding issue and that for the same reason, they are unable to remortgage elsewhere. Instead, they consider themselves trapped paying TSB's SVR.

One of our investigators reviewed the complaint but thought TSB's offer of compensation was sufficient in the circumstances.

Mr and Mrs N asked that the case be reconsidered by an ombudsman. They think TSB should honour its mistake and offer them a new fixed-interest rate as a BTL mortgage. They also remain unhappy with the valuation applied to the property and think this should be changed.

As the complaint could not be resolved informally, it has now been passed to me to decide.

### **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.

When considering what is fair and reasonable in all the circumstances, I am required by DISP 3.6.4R of the Financial Conduct Authority's (FCA) Handbook to take into account:

'(1) relevant:

- (a) law and regulations;
- (b) regulators' rules, guidance and standards;
- (c) codes of practice; and

(2) (where appropriate) what [I consider] to have been good industry practice at the relevant time.'

I also focus on what I think is material and relevant to reach a fair and reasonable outcome. So, although I have read everything that has been supplied to me, I may not address every point that has been raised.

Having done all that, I do not think this complaint should be upheld. I realise this will come as a disappointment to Mr and Mrs N, but I hope my explanation helps them to understand why I have reached this conclusion.

I am aware of and understand Mr and Mrs N's depth of feeling on this matter and why they think a bank like TSB should be held to a higher standard. It is clear TSB made errors along the way which naturally raised Mr and Mrs N's expectations and it caused delays which extended the period Mr and Mrs N were under the incorrect impression that they would be securing a new deal and BTL mortgage with TSB – it also caused them avoidable distress and inconvenience.

However, it is not our role to punish businesses nor is it the case that a business should be made to honour something it promised in error.

Instead, I need to determine the position Mr and Mrs N would have been in had everything gone as it should have. Applying that to this case, Mr and Mrs N would have been told by October that TSB could not lend. This would have been before they reverted to the SVR.

This would have given Mr and Mrs N more time to look for rates elsewhere and if unavailable

(as they've suggested), weigh up the decision of keeping the mortgage on CTL terms on the SVR or move back in (should this be a viable option for them).

Had everything gone as it should have done, it is not the case that Mr and Mrs N would have been given a BTL mortgage with the applied for rate of 4.14% as their application did not meet TSB's lending criteria – so it would not be fair or reasonable for me to direct TSB to honour this.

If Mr and Mrs N had obtained a BTL rate more favourable than the SVR they are now paying, I may have directed TSB to award further compensation to acknowledge that the consumers would've been able to achieve such a rate sooner but for its delays. But I can see TSB has already offered to do this. And while I understand Mr and Mrs N have said they are trapped due to the cladding issue and are unable to go to another lender, this is not something for which TSB is responsible.

It is undisputed that there were unreasonable delays in two key parts of this application. I accept this caused Mr and Mrs N distress which could have been avoided and the suggestion of a rate which they were not eligible for would have raised their hopes unfairly. TSB should compensate Mr and Mrs N for this.

I can see TSB has already offered and paid Mr and Mrs N £300 which I consider to be in line with our published guidelines and appropriate given the length of the delay and its multiple errors which understandably compounded the stress and inconvenience caused to Mr and Mrs N – including the request they get a letter confirming the start date of the remedial building works.

While I know Mr and Mrs N consider TSB to have caused unnecessary strain between them and their tenant, I am unable to award compensation for a third party who is not an eligible complainant (the tenant) and the contemporaneous notes from the time do not show TSB directing Mr and Mrs N to increase their rental income to £2,000. Instead, they show Mr N notifying the adviser that he had been intending to increase the rental amount for the property – no figure appears to have been suggested by TSB. As such, I am not going to direct TSB to increase its award on this basis.

Another element to this complaint is the significant down valuation to the property in question. I can appreciate why Mr and Mrs N disagree with the most recent valuation figure and why they are frustrated with TSB's decision not to appeal this further. However, the valuer was instructed by TSB for TSB – they were not acting for Mr and Mrs N. This limits the scope of our service's power to look at a complaint about a valuation to considering whether TSB instructed a suitably qualified surveyor – I am unable to consider the content of the report.

In this case, an independent, suitably qualified surveyor carried out the valuation – so they were responsible for it (not TSB). And it was reasonable for TSB to rely on the valuation report when deciding whether the application met its lending criteria. As such, I am not going to recommend TSB increase its compensation award for issues relating to the valuation or take any further action on this point.

Overall, it is clear TSB caused Mr and Mrs N avoidable distress and inconvenience. But I am not persuaded that its actions mean it now needs to honour the application and provide Mr and Mrs N with a BTL mortgage with a rate of 4.14%. The amount of compensation it has already offered is in line with our guidelines and is fair given the circumstances of this case.

**My final decision**

For the reasons set out above, I do not uphold this complaint and I make no award against TSB Bank plc

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N and Mrs N to accept or reject my decision before 12 February 2024.

Lucy Wilson  
**Ombudsman**