

The complaint

This complaint's about a mortgage that Mrs and Mr L took out in 2021, based on advice given by PRIMIS Mortgage Network, a trading name of Advance Mortgage Funding Ltd (AMF) in late 2020. They say they should have been steered towards a five-year fixed rate rather than a two-year deal.

What happened

The broad circumstances of this complaint are known to Mrs and Mr L and AMF, so I don't need to repeat the details here. Our decisions are published, and it's important that I don't include any information that might result in Mrs and Mr L being identified. Instead I'll give a brief summary and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

The essence of the complaint is that AMF's advisor directed them towards a two-year fixed interest rate product whilst failing to advise them a five-year fixed rate would be more suitable. They have brought this complaint because when they renewed their mortgage deal in 2023, it was on a much higher rate. They say this extra monthly cost could have been avoided if the advice they'd been given in late 2020 had been to take a five-year deal.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally; nor do we issue fines against financial businesses. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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

The starting point in a complaint of this type is typically the point-of-sale documentation. The value of such documents is that they're contemporaneous, so they should reflect what was said and agreed at the relevant time. They're not fool-proof, of course; it's always possible information might be recorded incorrectly, but it's typically more reliable than people's individual recollections at a distance of time which, although given in good faith, can sometimes be inaccurate or contradictory, or more generally influenced by hindsight. So unless there's a compelling reason to believe the information is inaccurate, we'll generally attach some weight to it, and I'm not persuaded I should not do so here.

AMF may not have drawn Mr and Mrs L's attention directly to the cost of a five-year option, but the recommendation of a two-year deal was consistent with the preference the fact-find records them as having expressed. Also, I'm persuaded Mrs and Mr L knew they had a choice of duration for their fixed rate mortgage.

Mrs and Mr L have said that the two-year deal wasn't suitable enough, because Mrs L was changing from employed to self-employed status at around the same time the mortgage was completing. They say this limited their choice of lender when renewing the rate in 2023, because Mrs L did not have two full years' trading accounts.

I accept AMF should have known Mrs L would not have two years' accounts. But so too would Mrs L, and the exchanges I've seen between them and AMF when arranging the mortgage advice suggest she and Mr L were reasonably experienced in and knowledgeable of the way the mortgage market works. That doesn't, in itself, detract from AMF's duty to provide suitable advice, but it's relevant to how Mrs and Mr L reacted to the advice they were given, based on what they would have known at the time, as distinct from what they know now.

The rapid rise in rates that caught Mrs and Mr L out when their two-year deal expired was a reaction to events that happened later. I understand Mrs and Mr L are feeling pressurised financially and so the increase in their mortgage costs will no doubt be most unwelcome. But neither they nor AMF could predict the financial upheaval of 2022 (driven primarily by outside global influences) that led to them having to renew their mortgage deal on more costly terms.

Mrs and Mr L say the movement in houses prices (their loan-to-value ratio influenced the search for a successor deal) and interest rates since their mortgage started is irrelevant to whether a two-year or five-year deal was the more suitable recommendation to make. Rather, they say it was their circumstances, primarily the change in Mrs L's employment status, that made a five-year deal more suitable.

I appreciate why they say that, but for the reasons I've already set out, I do think this complaint is partly driven by what has happened since the advice was given. I say that not least because if the financial environment had been such that Mrs and Mr L were able to agree a successor rate at a broadly similar level to their initial two-year deal, it's likely this complaint would not have been brought.

In any event, suitability rarely rests on one factor alone. AMF had to take a broad view of all the information that Mrs and Mr L gave it about their circumstances as a whole, rather than allow its advice to be skewed by one over-riding component; that being, in this case, Mrs L's switch to self-employment.

Yes, two years' proof of income for self-employed applicants is an industry norm. But it's not so restrictive and prescriptive a standard that it should automatically render the recommendation of a two-year deal less suitable than a five-year deal, when other relevant factors, including the applicants' apparent recorded preference, are taken into account. Also, it would only be an issue all if Mrs and Mr L wanted to re-mortgage to a new lender; it wouldn't be relevant to just taking a new rate with their existing lender, which is what they have done. I'm not sure that AMD should have assumed a re-mortgage would necessarily be their most likely plan at the end of the first rate deal.

I said at the outset that I wouldn't be commenting on every single point, and I haven't. I have, as I said I would, confined myself to those matters that I consider have a material effect on the outcome. I can see from Mrs and Mr L's submissions how strongly they feel about this.

That's a natural, subjective reaction, and entirely understandable when you're as close to a situation as Mrs and Mr L have been here.

But I have a different remit. I have to be objective, and impartial, and sometimes that means stepping back from the fine detail, taking an overview and deciding what is fair, reasonable and pragmatic in the overall circumstances of the case. It also means that I'm not required to provide answers to every specific question that comes up if I don't consider doing so will affect the overall outcome.

My final decision

My final decision is that I don't uphold this complaint. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr L to accept or reject my decision before 10 January 2024.

Jeff Parrington

Ombudsman