

## **The complaint**

Miss N complains that Clydesdale Bank Plc trading as Virgin Money (VM) confirmed, on a number of occasions, that she qualified for a mortgage interest rate product it later refused to allow her to proceed with.

## **What happened**

Miss N had a shared ownership mortgage with VM for approximately £169,000. The original mortgage was fixed at an interest rate of 3.79% until December 2023.

In June 2023 Miss N wanted to fix her interest rate again – this time for five years. She went through a broker to try to get a new fixed rate with VM.

Miss N says VM confirmed to her broker on 3 July 2023 that she qualified for a five-year fixed rate at 4.58%. But, on 20 July 2023, VM realised it had made an error as Miss N did not qualify for the 4.58% because her loan to value percentage (LTV) was too high. She says the rate she was told she did qualify for was too expensive and she spent hours on the phone over four separate calls to VM on 18 August 2023 to work out a cheaper alternative. To achieve that she had to make a £625 overpayment to reduce her LTV to 90%. Miss N complained to VM.

In its final response letter dated 12 September 2023, VM said it upholds Miss N's complaint in part. It said Miss N's broker applied for a rate that was not available for borrowers with shared ownership mortgages and it advised the broker of that in an email on 26 June 2023. But the broker emailed VM again on 28 June 2023 asking for an update and again, VM responded saying the broker would need to select a different rate. In its final response letter, VM explained that its broker application portal states that shared ownership product transfers are not available via the portal and brokers should call VM's support team for help. So, it said it hadn't made an error in that regard.

VM acknowledged that it told Miss N's broker – in a call on 3 July 2023 – that she did qualify for a rate of 4.58%. But, following that call, VM calculated her LTV and realised she only qualified for a rate applicable to borrowers with greater than 90% LTV. It also acknowledged Miss N's telephone discussions with it on 18 August 2023 and, during those calls she was given an incorrect (non-applicable) rate twice more. To apologise for its errors VM said it would pay Miss N £200 (though initially it paid her £150 in error).

Dissatisfied with VM's response, Miss N asked us to look into her complaint. Our investigator thought VM's offer of £200 to compensate Miss N for the distress and inconvenience caused was fair and reasonable. He said Miss N hasn't suffered a loss because VM allowed her to take the best rate that she qualified for.

Miss N didn't agree. She said she was misled by VM every step of the way and that resulted in an extremely stressful four months. And she's now out of pocket by £625 because she had to reduce her mortgage balance by that amount to qualify for an interest rate close to her expected monthly payment level. In addition, Miss N said:

- It is not enough for VM to have a notice on its online system that interest rate deals involving shared ownership mortgages must be applied for on the telephone – its system shouldn't allow them to be booked on-line.
- Her broker was told by VM that a rate was booked which was significantly lower than the one she has had to accept.
- She was given incorrect advice three times in one day by VM, indicating that there is a problem with its system and how it deals with shared ownership mortgages.

As Miss N didn't agree with our investigator, her complaint has been passed to me for a 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.

To decide Miss N's complaint, I've thought about whether VM caused her to miss out on a mortgage rate deal she otherwise would have qualified for. And whether the amount of compensation it has paid to Miss N was sufficient, taking all the circumstances of its handling of her new mortgage rate application into account.

Before outlining my thoughts on those points, I'd like to comment on our role – particularly because Miss N has complained about what VM's application portal allows, its system and how it deals with shared ownership mortgages. Our role isn't to punish businesses for their errors or to direct a business on how it should carry out tasks. For example, we wouldn't tell a business how it should build or run its application portal. Instead, we look to compensate consumers for material loss and for distress and/or inconvenience caused to them because of a business' error. To assess distress and inconvenience, we must consider the impact to the individual consumer. So, that's what my decision will focus on.

The evidence provided shows that Miss N's broker booked a mortgage rate deal – fixed at 4.58% for 5 years – on 19 June 2023. That product applied to LTV's up to 65%. VM emailed the broker on 26 June 2023 to say that product did not apply to shared ownership mortgages and the broker needed to call VM to discuss the products available. Following a chase-up email from the broker, VM confirmed again that the broker needed to call to discuss a new product.

I've listened to the recording of the call the broker made on 3 July 2023. In that call the broker told VM that the LTV was 46% and VM said that it offers a different five-year fixed rate product to shared ownership customers, but that product – like the one the broker had booked – was currently 4.58%.

I think, in that instance, VM responded based on the information that was given by the broker. It transpired – when TM assessed the application – that Miss N's LTV was actually over 90%. I don't think VM caused that error – giving Miss N the impression that she still qualified for a rate of 4.58%. That said, in its final response letter, I note that VM said it could have done more at the time to check the LTV, and that appears to have been a factor in its decision to award her £200.

I understand that Miss N suffered inconvenience when she discussed matters with VM on 18 August 2023 and that, during those calls, VM gave her incorrect information several times. While I understand that caused frustration to Miss N, I don't think she suffered financially as a result of her interactions with VM that day – I think she ended-up getting the lowest five-year fixed rate deal available to her, unless she remortgaged with another lender. And while I don't doubt her frustration, I think the cause of that was limited to one day.

Miss N says she's out of pocket because she had to reduce her mortgage balance to qualify for the rate she eventually received. But I don't agree that she's out of pocket because of the payment she made. I say that because that payment reduced the amount she owes to VM, thereby reducing the balance on which it will charge her interest in the future. And that payment was required for her to qualify for a lower interest rate deal. Without that payment her new deal would have been set at a higher interest rate, which, again, would have cost her more over the long term.

I understand that Miss N is disappointed that she didn't get the rate that she initially applied for and that VM told her broker she qualified for. However, due to her circumstances – specifically her LTV – at no point did she actually qualify for that rate. So, I don't agree not getting the rate she wanted represents a financial loss to her – instead it's a loss in expectation, albeit that caused disappointment to Miss N.

VM has allowed Miss N to stay on her existing rate until that expires – thereby avoiding the early redemption charge she'd planned to pay – before moving on to the new five-year fixed rate. Again, that is a benefit to her, due to her existing interest rate being lower than her new one.

Overall, while I understand Miss N's frustration with the process, it has resulted in her being in a better position than she ought reasonably to have expected. I think the payment made by VM already made to Miss N is in line with what I'd award given the level of distress and inconvenience it caused her. As VM offered to make that payment to her as part of its final response to her complaint, I don't uphold the complaint she's asked us to consider.

### **My final decision**

My final decision is I don't uphold Miss N's complaint about Clydesdale Bank Plc trading as Virgin Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 28 December 2023.

Gavin Cook  
**Ombudsman**