

The complaint

Miss M's complaint is about a second charge mortgage she had with Central Trust Limited. She believes she should not have been approved for the mortgage as she was unemployed at the time with a poor credit rating. As such, she wants evidence of the checks completed to verify her being '*worthy of such a loan.*'

What happened

Miss M had an existing mortgage on her home in 2019. She wanted to borrow another £15,000 to repay an existing debt, complete necessary repairs to the roof of her home and install a new bathroom. Miss M sought assistance from a credit broker in March 2019 to make the arrangements. The broker assessed Miss M's situation and recommended a mortgage with Central Trust. An application was made at the end of March 2019. The application detailed that Miss M was employed and copies of her most recent payslips were attached to the application, along with bank statements and a credit search the broker had obtained the day before.

Miss M has said she became unemployed in April 2019, after the application was made, but before the mortgage was advanced. However, it was not until December 2019 that Miss M told Central Trust that she was unemployed.

During the process of Central Trust assessing Miss M's application, some further information was requested. This was provided, along with confirmation on 18 April 2019 that her circumstances had not changed. Central Trust went on to consider the information provided and assess whether the loan was affordable. It concluded it was.

In addition, on 26 April 2019, just before the final decision to accept the application was made by Central Trust, it called Miss M. It asked her some questions, including details of her employment. She confirmed she was employed in a permanent role and had no knowledge of impending redundancy or a drop in income.

The application was accepted, and a mortgage offer issued on 29 April 2019. The following day Central Trust called Miss M again and went through the offer with her, to ensure she understood it. It also checked there hadn't been any changes in her circumstances. Miss M didn't inform Central Trust of any changes in her circumstances. The mortgage offer was accepted by Miss M and the advance was paid on 15 May 2019.

In 2022 Miss M complained to the broker that, among other issues, the mortgage had been mis-sold. She didn't think the application should have been accepted because she was unemployed and had bad credit. She also said that she didn't think appropriate checks had been completed prior to the mortgage completing.

The broker highlighted that the decision to lend was made by Central Trust. Following the broker complaint being referred to us, Miss M confirmed she wanted to complain about the lending decision made by Central Trust. As such, we informed it about the complaint, and it responded direct to Miss M. It didn't uphold the complaint.

As Miss M wasn't satisfied with Central Trust's response, one of our Investigators looked into the complaint. He didn't recommend it was upheld.

Miss M didn't accept the Investigator's conclusions and asked that the complaint be looked at again. She said that she questioned the employment that was recorded on the broker's documentation from the time of the sale and asked what steps were in place to verify the legitimacy of employment documents. She suggested that contact should have been made with the employer detailed in the payslips provided to ensure that she was employed by it.

The Investigator responded further to Miss M's concerns about the checks completed at the time of the sale, but her comments didn't change his conclusions. Miss M asked for a second opinion and so it was decided that the complaint should be referred to an Ombudsman for review.

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.

Miss M has told us she was unemployed at the time the mortgage was advanced. That may be the case, but I am satisfied that she didn't make Central Trust aware of that fact until more than six months after the mortgage was advanced. I note that Miss M believes that the broker and Central Trust should have made checks with the employer to ensure that she had told the truth about her employment. However, I don't consider that was necessary. A broker and lender are entitled to rely on the information a potential borrower gives it. Indeed, it would be inappropriate for a broker or lender to assume its customer was lying without good cause.

In addition, the broker and Central Trust checked on three occasions between the application and the advance being made, whether there had been any changes to Miss M's circumstances. She didn't tell either party there had been a change. While I note there was a period of a couple of weeks between the offer being issued and the advance paid, but Miss M had been asked by the broker to ensure that she told it about any changes that happened going forward. I don't consider Central Trust can be found at fault for not being aware that Miss M's circumstances had changed by the time the advance was paid.

In relation to the affordability of the mortgage, Central Trust was under a duty to lend responsibly. In order to do so, it had to carry out an assessment of affordability in line with the Regulator's Mortgages and Home Finance: Conduct of Business sourcebook (MCOB).

I have looked carefully at the assessment Central Trust carried out before it approved the loan. It took account of Miss M's verified net income, her committed expenditure and basic essential cost-of-living outgoings. Central Trust based its cost-of-living figures on Office for National Statistics (ONS) data on minimum costs. After taking that and Miss M's committed expenditure into account, there was disposable income of just under £300 a month. I consider it was reasonable for the lender to consider that this was sufficient disposable income for her to live on, bearing in mind it had already deducted food, clothing and socialising costs. Miss M might spend more than the minimum ONS figures, but I think it was reasonable for Central Trust to consider that the disposable income gave her a cushion.

There was no requirement for the Central Trust to carry out an interest rate stress test as the interest rate on the loan was fixed for five years. However, Central Trust carried out such a test on the existing mortgage and based on the information it had, it showed that the loan was still affordable. Overall, I consider it was reasonable for Central Trust to consider the lending was affordable and to lend Miss M the amount it did based on the information it had

at the time of sale. Nor were there any recent issues with Miss M's circumstances or finances that would have indicated to Central Trust that it was not reasonable for it to lend to her.

Miss M told Central Trust that she wanted to obtain further funds to repay a debt, complete essential repairs on her home and renovate her bathroom. These requirements wouldn't have raised any concerns with Central Trust. That linked with the fact Miss M didn't have current or very recent financial difficulties, and the mortgage was affordable, doesn't indicate Central Trust should have had any concerns about agreeing the mortgage. I can't find the decision to lend to Miss M was inappropriate or that the mortgage was unaffordable.

My final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Miss M to accept or reject my decision before 7 December 2023.

Derry Baxter
Ombudsman