

The complaint

Mrs G and Mr Z complain that poor mortgage advice from Connells Limited resulted in them missing out on lower interest rate products. They ask for compensation for their additional interest costs.

What happened

Mrs G and Mr Z took mortgage advice from Connells in early September 2022. Connells made an application on their behalf and the lender issued a mortgage offer. Mrs G and Mr Z's purchase fell through. Connells said they'd be able to change the property and keep the rate in the mortgage offer.

Mrs G and Mr Z found another property in early October 2022. The lender didn't allow them to keep the original rate. By then rates had increased. Mrs G and Mr Z say they will pay over £14,000 more over the product term as a result.

I sent a provisional decision to the parties explaining why I thought the £500 compensation offered by Connells for the upset caused when it gave Mrs G and Mr Z incorrect information was fair. I also set out why I didn't intend to order Connells to pay compensation for Mrs G and Mr Z having a higher interest rate. My provisional decision was substantially as set out below.

Both Mrs G and Mr Z and Connells agreed with my provisional 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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mrs G and Mr Z took mortgage advice from Connells. They were issued with a decision in principle on 1 September 2022. The sale and purchase chain wasn't complete. Connells said it told Mrs G and Mr Z the only way to secure the rate was to submit an application. So they decided to submit an application, despite potential issues with the sale and purchase chain.

Connells submitted an application on behalf of Mrs G and Mr Z and they received a mortgage offer on 9 September 2022. This had a five-year fixed rate of 3.45%. Had this mortgage completed Mrs G and Mr Z would have had the benefit of this interest rate.

Unfortunately, Mrs G and Mr Z's purchase fell through. Connells told them (incorrectly) they'd be able to update the offer with the new property and keep the rate in the mortgage offer.

Mrs G and Mr Z had an offer accepted on another property in October 2022. Connells told the estate agent they had an offer in place. However, the lender didn't allow Mrs G and Mr Z

to keep the interest rate product. It said they'd have to choose a new product rate. Interest rates had increased.

Connells recommended applying to a different lender which offered a lower interest rate than was then available from the first lender. This lender offered a mortgage to Mrs G and Mr Z. But the interest rate was higher than the first mortgage offer.

Connells accepts it made an error when it told Mrs G and Mr Z they'd be able to keep the rate in the mortgage offer despite changing properties. The broker says he can't remember if he first told Mrs G this when the property purchase fell through or when he advised them in early September 2022. Connells offered £500 for the disappointment caused.

Mrs G and Mr Z ask that Connells pays compensation for them missing out on the lower interest rate offered by the first lender. I don't think it's fair and reasonable to require this, for the following reasons.

- Mrs G and Mr Z couldn't transfer their first mortgage offer and rate to another property. This wasn't because of an error by Connells. The lender didn't allow the rate to be transferred and this would have been the case regardless of whether Connells made an error.
- Mrs G and Mr Z could only secure a rate with that lender by submitting a new mortgage application. They couldn't do this until they found a property to buy.
- Even if Connells had given Mrs G and Mr Z correct information it seems unlikely they'd have found a property sooner. Mrs G told Connells there were hardly any options to buy. The purchase of the second property they found also fell through. By the time they found the third property and were ready to submit a new application, the lender's products had changed.

Mrs G says Connells should have advised them at the outset to choose a lender that allowed them to reserve the rate or move the application to another property. Mrs G said she spoke to Connells about 10 times from August to October 2022 and was clear that she wanted a mortgage that could be transferred to another property. She says she was assured that was the case. These calls aren't recorded. But what Mrs G says is supported by her emails. Connells accepts it gave her incorrect information at some point in September 2022.

There's no dispute that Connells gave Mrs G and Mr Z incorrect information. When considering whether this caused Mrs G and Mr Z financial loss, I've taken the following into account.

- There's no doubt that Mrs G and Mr Z wanted to secure an interest rate – that's why the application was submitted in early September 2022 despite concerns about the property chain. But there's a difference between securing a rate for the purchase that Mrs G and Mr Z hoped would go ahead and securing a rate that could be transferred to any property.
- As I said above, Mrs G and Mr Z wouldn't have been able to retain the interest rate offered by the first lender regardless of any error by Connells.
- Connells did a fact find with Mrs G and Mr Z. This said they wanted a fixed interest rate for five years. And they wanted a product with the lowest total amount payable over the product term. Connells records say it recommended the cheapest available product.

- The fact find doesn't say Mrs G and Mr Z wanted to reserve an interest rate that could be transferred to a different property, or that they only wanted to apply to lenders that allowed this. Not all lenders allow a change of the security property without a new application being submitted with a new product. So this would likely have restricted the lenders that Mrs G and Mr Z could apply to.
- Connells assumed the first lender would allow Mrs G and Mr Z to retain the interest rate product if their purchase fell through. If Mrs G and Mr Z told Connells at the outset this was important to them, it would be reasonable to expect it to check this. Equally, I'd expect this to be reflected in the fact find and there to have been some discussion about whether this was a higher priority than securing a lower cost product.
- I don't have information as to which lenders (if any) were allowing customers to reserve an interest rate that could be transferred to a different property in September 2022. I don't have information about the interest rates these lenders were offering. I don't know if Mrs G and Mr Z would have met the relevant lending criteria.

To require Connells to pay compensation on the basis Mrs G and Mr Z missed out on an interest rate product that could be reserved or transferred, I'd need evidence that this was available to them and at a rate that was better than the rate they took out. I'd need to find that they'd have chosen such a product in early September 2022 even if it had a higher cost than the product they first applied for.

I do appreciate Mrs G and Mr Z's frustration here. But at the moment I don't have sufficient evidence they'd have been able to take out a better interest rate if Connells hadn't made an error.

Connells incorrectly told Mrs G and Mr Z they'd be able to change property and keep the rate in the first mortgage offer. They were upset when they found out this wasn't possible and I think it's right that Connells offered compensation for the disappointment this caused. In the circumstances, I think the £500 it offered is fair and reasonable compensation for this upset and disappointment.

My final decision

My decision is that Connells Limited should pay £500 to Mrs G and Mr Z as it offered to do (unless of course it has already made the payment).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr Z to accept or reject my decision before 9 November 2023.

Ruth Stevenson
Ombudsman