

The complaint

Mr W complains that delays by more 2 life Ltd in progressing his application for a lifetime mortgage resulted in him having to pay a higher interest rate.

What happened

Mr W had an interest only mortgage which was coming to an end, so he applied to more 2 life for a lifetime mortgage to raise funds to pay his mortgage off. There were significant problems with the application, which led to Mr W making a complaint. more 2 life upheld his complaint and offered compensation, which Mr W accepted. He then made a fresh application to more 2 life – this complaint is about that second application.

Mr W applied via a broker to more 2 life in April 2022. He wanted to borrow £350,000 against a property valuation of £800,000, and applied for a mortgage at 3.97%.

On 20 April 2022 more 2 life emailed the broker asking for confirmation that Mr W's ex-wife had no interest in the property and wasn't living in it. And it asked for confirmation of where Mr W was living, as it said its own checks suggested Mr W wasn't living at the property.

The broker replied asking more 2 life to consult its file for the previous application. It said Mr W and his ex-wife Mrs W had divorced in 2008 and she had no interest in the property, but she was currently living there. The broker confirmed that Mr W was living in the property.

more 2 life asked whether Mrs W would be moving out of the property before completion – it said that having a third party live in the property fell outside its lending criteria. more 2 life says it didn't receive a reply to this email.

In May 2022 more 2 life asked further questions about the property, which was subject to an estate rentcharge. It then refused the application because it said it fell outside the lending criteria for the specific product Mr W had applied for. But it said it had another product available which might be suitable which Mr W might want to apply for.

Mr W's broker then made a further application, and more 2 life issued an offer around two weeks later. This was for £347,840 at an interest rate of 4.27%. The offer included the following special conditions:

- Mrs W was to leave the property and Mr W's solicitors to confirm she had done so;
- Mr W's previous mortgage was to be paid off in full;
- Mrs W to sign an occupier's consent form;
- Mr W's solicitor to confirm that the estate rentcharge did not include onerous terms;
- Mr W to provide proof of identity, age, and residency.

The first and third conditions were contradictory, since the first required Mrs W to move out

of the property, but the third implied she could continue living there if she signed a waiver form.

Mr W's broker therefore asked more 2 life to reconsider the special conditions, and it issued a further mortgage offer on 27 May. The borrowing amount and interest rate remained the same, and this offer also included special conditions:

- Mr W's solicitor to confirm that the estate rentcharge did not include onerous terms;
- Mr W's previous mortgage was to be paid off in full;
- Mr W's solicitors to confirm that the property is registered in his sole name, and that Mrs W provides a written undertaking that she will leave the property before completion and has no interest in it.

This time, therefore, there was no mention of Mrs W signing a waiver and continuing to live in the property – more 2 life made clear it would not accept her continuing to live there after Mr W took the loan out.

Mr W called more 2 life to say that he couldn't agree to the condition that Mrs W must leave the property. His broker provided more information to confirm that Mr W and Mrs W had divorced some years ago with a financial settlement and that each owned their own property (though Mrs W's was rented out). Mrs W had no claim on or interest in Mr W's property.

more 2 life then agreed to issue a further offer removing the special condition that Mrs W had to leave the property and replacing it with a condition that she would be required to sign an occupier's waiver. By then the valuation had expired so more 2 life also required a fresh valuation, but given the delay it didn't charge Mr W for this.

The new mortgage offer was issued on 28 June 2022, and the mortgage completed on 29 July 2022.

Mr W complained. He said that more 2 life knew about the property from the earlier application that was the subject of the previous complaint, so it didn't need to issue and then withdraw the April offer. And it had taken an unreasonably long time to resolve the issue with Mrs W living in the property. As a result, the interest rate he was being charged had increased from 3.97% to 4.27%, and he had also had to pay interest to his previous mortgage lender for longer. He estimated that if he lived another 25 years, this would cost him around £27,000.

I issued a provisional decision setting out my thoughts on the complaint and inviting the parties to respond.

My provisional decision

I said:

"I've not considered anything that happened in respect of the first application, for which Mr W accepted compensation from more 2 life without our involvement. In this decision, I'm only focussing on the applications Mr W made from April 2022 onwards.

more 2 life is a lifetime mortgage lender. But it doesn't lend money from its own resources. It works with funders in the background, and offers mortgages funded by those funders but with more 2 life as the owner of the mortgage and with more 2 life acting as the lender. This isn't unusual in the lifetime mortgage market. The funders

are essentially investors, who give money to more 2 life to lend to its customers in anticipation of a return on their investment in the form of a share of the mortgage interest income.

more 2 life offers mortgages from more than one funder. Each funder sets its own criteria for the sorts of risks it's prepared to accept, and the sorts of situations it's prepared to lend in, as well as the returns it expects. That means that there can be different qualification requirements for different loans offered by more 2 life. Mortgages funded by individual funders might be at a lower interest rate but be available in more restricted situations, or have lower maximum loan amounts, for example.

The first application Mr W made, which isn't part of this complaint, was for a more 2 life product called "Capital". The second application – the April 2022 one at 3.97% - was for a product called "Flexi". And the third application, the one Mr W ended up taking in July 2022, was also a Capital product.

The second application, for the Flexi product in April 2022, was refused because Mr W's property fell outside the lending criteria for that product. The problem was that the property was subject to an estate rentcharge. This is an obligation on owners of individual properties on an estate to pay an annual charge – generally as a contribution to maintenance and upkeep of communal facilities such as private roads, services, or communal gardens.

The funders of the Flexi product were prepared to accept properties subject to estate rentcharges as security for lending, but only in certain limited circumstances. The problem for Mr W's application was that the rentcharges on his estate were set and managed by a management company controlled by the residents – but Mr W had declined to be part of the management company and therefore had no influence over the level of the rentcharge or increases to it.

However, the funders of the Capital product were prepared to accept properties subject to rentcharges, even where the owner wasn't part of the management company.

That meant that because of the specific nature of the obligations that Mr W's property was subject to, he was eligible for a Capital product but not a Flexi product.

It's therefore not unfair that more 2 life refused Mr W's application for a Flexi product in May 2022 once it had established that the property was subject to rentcharges but Mr W wasn't part of the management company. That meant he wasn't eligible for it, and so it was reasonable to refuse the application.

I don't think more 2 life could reasonably have been expected to have made this decision any sooner than it did. Although it had some information about Mr W and his property from the earlier application, that earlier application was for a Capital product not a Flexi product, with different criteria. And so more 2 life didn't know, and couldn't reasonably have been expected to know, that Mr W wasn't eligible for a Flexi product at the time of his application in April 2022. That only came to light later as part of the specific checks it made following the application to check if he met the criteria for a Flexi product.

Once more 2 life became aware that Mr W didn't meet the requirements for a Flexi product but did meet the requirements for a Capital product, it didn't just decline his application but recommended that he re-apply for a Capital product.

I think that was fair. And even if I'm wrong, and more 2 life should have made that clear sooner than it did, this didn't result in Mr W losing out. That's because Mr W was never going to get the 3.97% interest rate – that was the rate on the Flexi product he was never eligible for. The rate for the Capital product – 4.27% - didn't change between April and May 2022. What this means is that the 3.97% interest rate Mr W initially applied for was never available to him. He didn't qualify for that product. He says more 2 life offered it to him in April 2022, but that's not correct – there was no offer for a mortgage at 3.97%; the document Mr W was given dated 19 April 2022 was an illustration not an offer. An illustration is non-binding information about what is being applied for, not an acceptance of the application or offer of a loan.

The product Mr W did qualify for had an interest rate of 4.27% - and that rate was the same in May 2022 when he did apply for it as it was in April 2022 when he could have applied for it. He was never eligible for the 3.97% Flexi product, it was never offered to him, and therefore he has not suffered any financial loss in ending up with the 4.27% Capital product.

I do think more 2 life caused some delay because of the confusion around whether Mrs W would be living in the property or not. Mr W had always been clear that she would be, though she didn't have any interest in the property or the mortgage. more 2 life changed the mortgage offer special conditions three times between 25 May and 28 June 2022, and this therefore delayed completion on Mr W's mortgage by around a month.

I think it would be fair for more 2 life to refund the additional interest Mr W had to pay to his previous mortgage lender as a result of this delay. And it should pay him £200 compensation for the inconvenience caused in having to repeatedly question the special conditions more 2 life included."

The responses to my provisional decision

more 2 life accepted my provisional decision. But Mr W didn't. He said more 2 life issued an illustration of a loan at 3.97% in April 2022 – it shouldn't have done this if it wasn't an appropriate product for him. Mr W is not concerned with how more 2 life is funded. He wanted a lifetime mortgage and instructed his broker to apply for what was set out in the illustration, expecting that was the loan that would be available to him. He could have gone to other lenders who offered better rates but chose to continue with more 2 life in the expectation it already had all his information and would process the loan quickly. It was more 2 life's delays which meant that Mr W ended up taking a mortgage at 4.27%. This will substantially increase the cost over the life of the mortgage.

Mr W said he had sent an occupier's waiver form completed by Mrs W to more 2 life in January as part of his earlier application – but more 2 life lost it and required another one to be completed.

He said that more 2 life had all the information it needed about him and his property from his earlier application and should not have issued an illustration if the loan at 3.97% was never available to him.

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.

I've also considered the responses to my provisional decision – having done so I haven't

changed my mind.

I'm not persuaded that more 2 life has to honour the illustration of 3.97%. As I explained in my provisional decision, an illustration is not an offer of a loan – it's merely a description of what is being applied for. It's likely that the illustration was produced by Mr W's broker when the application was submitted rather than by more 2 life directly.

In any case, as I explained, the mortgage at 3.97% was never available to Mr W because he didn't qualify for it due to the rentcharge his property was subject to. But there was no reason for either the broker or more 2 life to have known that in advance – the previous application had been for a Capital product which had different criteria.

Had Mr W applied for another Capital product in April rather than applying for a Flexi product (which he wasn't eligible for), it wouldn't have resulted in a saving of interest since more 2 life has shown that the 4.27% interest rate he ended up taking was the same as the rate available in April. If Mr W had the option of taking another interest rate elsewhere but chose to apply to more 2 life, more 2 life isn't responsible for that.

I agree that more 2 life caused delay because of the issue with Mrs W still being resident in the property. It's fair that it compensates Mr W for the extra interest he had to pay on his old mortgage as a result.

Putting things right

To put matters right, more 2 life should pay Mr W one month's interest on his previous interest only mortgage, at the rate applicable in July 2022, adding simple annual interest of 8% running from 29 July 2022 to the date of refund. more 2 life may deduct income tax from the 8% interest element of my award, as required by HMRC, but it should tell Mr W what it has deducted so he can reclaim the interest from HMRC if he is entitled to do so.

more 2 life should also pay Mr W £200 compensation for the distress and inconvenience caused by the delay in completing his mortgage because of the problem over the special condition about Mrs W's occupation of the property.

My final decision

My final decision is that I uphold this complaint. more 2 life should compensate Mr W in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 January 2024.

Simon Pugh
Ombudsman