DRN-4058151

The complaint

Mr F complains that 2 Plan Wealth Management Limited didn't tell him there was a deadline for him to change the property in his mortgage offer and retain the fixed rate product he'd reserved. His property purchase fell through and he had to re-apply for a new mortgage with a higher interest rate product.

What happened

Mr F took mortgage advice from 2 Plan in April 2022. It recommended a mortgage with a 10-year fixed interest rate product. The lender issued a decision in principle (DIP) and 2 Plan reserved the product for 90 days. Mr F had an offer accepted on a property and 2 Plan submitted an application on his behalf. The lender issued a mortgage offer in late May 2022.

Unfortunately, Mr F's purchase fell through. He found a new property in mid-July 2022. However, the lender said he couldn't retain the mortgage product if he changed the property as this was outside the 90-day reservation period.

Mr F applied to a new lender. He incurred costs and the interest rate is higher. He says this will cost him about £15,000 more during the 10-year product term.

Mr F spoke to 2 Plan at the end of May 2022 when he became aware there was a risk his purchase would fall through. He says 2 Plan told him he'd be able to change the property in the mortgage offer. Mr F says if he'd known this wasn't possible he'd have started looking for a new property straight away to secure a new offer within the 90-day reservation period.

Our investigator said the change in property was a material change and the lender said a new application was required. She said 2 Plan wasn't responsible for the lender's decision. Our investigator said there was a dispute about whether 2 Plan told Mr F about the 90-day reservation period. But either way, it wasn't certain that he'd have found a property in time for a new mortgage offer to be issued within the 90-day reservation period.

Mr F didn't agree. He said if he'd been given clear information, he could have looked for a property and re-applied within the 90-day period. Or he could applied for a new DIP at the end of May 2022 before rates increased further, so he'd have a further 90 days. He said the lender was still offering the same product at that time.

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.

The lender issued a decision in principle (DIP) on 1 April 2022. This isn't a mortgage offer and doesn't itself reserve a product. However, 2 Plan reserved the 2.09% 10-year product for Mr F. Information provided by the lender says if an offer is issued within 90 days it will honour the rate. So, to benefit from this rate, Mr F needed to secure a mortgage offer by 29 June 2022. 2 Plan says it told Mr F the rate was reserved for 90 days. Mr F says he wasn't told this.

Mr F found a property and 2 Plan submitted an application on his behalf on 11 April 2022. The lender issued a mortgage offer on 26 May 2022.

Mr F discussed the possibility of his purchase falling though with 2 Plan on 31 May 2022. Mr F says 2 Plan told him he'd be able to update the address in the mortgage offer and he'd have to pay the lender for a valuation of the new property. 2 Plan says this would have been correct at that time, as they were within the 90 days reservation period.

On 18 July 2022 Mr F emailed 2 Plan saying his purchase had fallen through the previous week. He'd had an offer accepted on a new property. 2 Plan asked the lender to update the mortgage application with the new property, and asked if Mr F could keep the rate. The lender didn't allow Mr F to keep the rate. 2 Plan says this was because the request was made some time after the 90-day reservation period had expired.

Mr F applied elsewhere and took out a mortgage with a 10-year product with a 3.33% interest rate.

Mr F says he'd have acted differently if he'd been given clear information by 2 Plan at the end of May 2022. Mr F says he'd have looked for a new property immediately. Or made a new rate reservation, which would have given him another 90 days to find a property. He says 2 Plan should have advised him to do this.

With the benefit of hindsight, we know Mr F would have been better off if he'd done this. But when deciding if 2 Plan made an error and how this affected Mr F I have to consider what the parties knew at the time.

2 Plan reserved the rate for 90 days. It applied for and secured a mortgage offer for Mr F within this period. 2 Plan wasn't responsible for Mr F's purchase falling through.

Mr F says he was misled by 2 Plan that if the property fell through it would just ask the lender to change the address in the offer. Mr F knew the lender would need a satisfactory valuation. And a new mortgage offer would need to be issued with the new property details. I think he must reasonably have known there was more to the process than simply giving the lender the new address. However, Mr F had passed the lender's affordability checks, so unless there was a problem with the property or the valuation, there's no reason to think the lender wouldn't have issued a new mortgage offer reasonably quickly. If 2 Plan told Mr F it didn't expect this to be a problem, I don't think that would have been unreasonable.

Mr F said the mortgage offer was portable, so he should have been able to transfer it to another property. That's not the intention of the provision, which is to allow borrowers to move home without incurring an early repayment charge after they've taken out the mortgage. This would also require a new application to be made. The mortgage offer is conditional on there being no material change before the mortgage completes.

I think the real issue here is that the 90-day rate reservation expired before Mr F found the new property. The parties dispute whether 2 Plan told Mr F that the rate was reserved for 90 days. In fairness, Mr F can't have expected the rate to have been reserved indefinitely and he must have known it would expire at some point. I can understand though why Mr F says 2 Plan ought to have told him (or reminded him) at the end of May 2022 that the rate reservation would expire at the end of June 2022 and what this could mean if his purchase fell through. But I don't think this would have changed the outcome.

At the end of May 2022 there was about a month remaining of the 90-day reservation period. It took more than six weeks from Mr F's application to the first lender and the mortgage offer being issued. Mr F agreed to buy another property in mid-July 2022 and received a mortgage offer in mid-October 2022 – some 12 weeks later. A new application to the first lender would likely have been quicker as it had already carried out an affordability assessment. But for Mr F to benefit from the reserved rate, he'd have had to find and have an offer accepted on a new property, and for the lender to arrange a valuation and issue a new mortgage offer before 29 June 2022 (about four weeks). I can't be certain that Mr F would have found a property and received a new mortgage offer within this timescale. And – for the reasons set out below – I'm not sure that he would have tried to do so.

While Mr F says he could have reserved a new rate to give him more time to find a property, again I don't know that he would have done so.

At the end of May 2022, Mr F had a mortgage offer for the property he wanted to buy. I don't think he'd have been able to keep the benefit of his mortgage offer while also obtaining a new DIP and reserving a new rate or starting an application for a mortgage on another property. We asked the lender what its policy was at that time. It said while Mr F could have reserved a new product and submitted a new application, the old application would have to be cancelled. 2 Plan says this lender was the only one at that time to allow customers to reserve a rate before making an application. Mr F couldn't have made a mortgage application (to the same or a different lender) until he found a new property.

To put it simply, Mr F wouldn't necessarily have been able to "hedge his bets" by starting a new application process while retaining the benefit of the mortgage offer he'd received.

Mr F told 2 Plan he hoped the purchase wouldn't fall through as it was ideal for his family. He told 2 Plan the problem was that the vendors were having difficulty finding a property to buy – a situation that could have changed. The mortgage offer was valid until November 2022, which would have allowed time for this, and it included the 10-year product Mr F wanted. If, at the end of May 2022, Mr F thought it likely his purchase would fall through I'd have expected him to start looking for another property immediately, especially as he'd agreed to sell his own property. It seems he didn't do this until after the purchase fell through – some six weeks later – which suggests he was hopeful it would proceed. I understand Mr F's point that he thought he'd be able to keep the mortgage offer and change the property later, if he needed to. But taking all of the circumstances into account, I'm not persuaded Mr F would have given up on the property he wanted to buy (and for which he had a mortgage offer) at the end of May 2022 even if he'd known more about the process when there's a change of property. I think, on balance, it's more likely he'd have waited to see if his purchase would proceed.

I don't think it's reasonable to find that 2 Plan should have advised Mr F to look for another property immediately or reserve a new rate at the end of May 2022. Mr F had a mortgage offer in place for the property he wanted to buy, and he was hoping his purchase would go ahead. In the circumstances, I think it was reasonable for 2 Plan to wait to hear from Mr F about what was happening with the property.

Mr F says 2 Plan didn't offer to start a new application for him. 2 Plan sent an email to Mr F on 19 July 2022 asking if he wanted it to make a new application and setting out rates available with the same lender and other lenders. This included a lifetime rate that was lower than the 10-year rate Mr F took out with his current lender. Mr F responded saying he'd secured a rate himself and raised a complaint. Mr F didn't have to take up 2 Plan's offer to help him with a new application, but I don't think it's fair to say it didn't offer this.

Having carefully considered the evidence and what the parties have said, I've decided not to uphold this complaint. It was unfortunate that Mr F's purchase fell through, and that this happened after the rate reservation expired and increase rates had increased. But I'm not persuaded that Mr F would have acted differently if he'd had more information at the end of May 2022 about what might happen if his purchase fell through. And I don't think 2 Plan made errors such as to make it fair and reasonable to require it to pay the compensation Mr F asks for.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 13 September 2023.

Ruth Stevenson
Ombudsman