

The complaint

Mrs K complains that Leeds Building Society didn't underwrite her mortgage correctly which caused her a financial loss when she asked for an increased mortgage offer.

What happened

Mrs K applied for a remortgage with Leeds through a financial advisor in July 2022. Mrs K wanted to borrow to remortgage and for home improvements and debt consolidation. At the end of July an offer issued for a loan of £122,967.02 for 22 years at a fixed rate of 3.59% per annum until 30 November 2027. On 1 August Mrs K contacted her financial advisor and asked the broker to apply for further borrowing of £5,000.00. Mrs K was constantly chasing her financial advisor thereafter who told her that Leeds was still reviewing the application but then was told on 16 September that Leeds had made an error and would not make this mortgage available. This meant that Mrs K had to look for a mortgage elsewhere and although she got one she now has to pay an interest rate of 4.46% per annum. Mrs K would like to be reimbursed the extra money she's now paying.

Leeds said that on the original application, listed as part of Mrs K's income was a child maintenance payment of £300 per month although no dependants were listed on the application. The mortgage offer issued without this being picked up by the underwriters. When Mrs K's broker submitted the application for the higher borrowing this discrepancy was picked up resulting in correspondence between Mrs K, the broker and Leeds about the nature of the child maintenance payment and how it affected the affordability assessment.

On 31 August, Leeds says it was told that the dependant, Mrs K's daughter, was 19 years of age and in full time education. Leeds offered a reduced mortgage of £109,799.00. On 14 September Leeds was told that the child was living at university and had a part-time income. Leeds deemed that she wasn't a dependent living in the property and on 20 September after discussing with the underwriters said it would offer a loan of £115,961.00. Leeds said it didn't hear further from the broker or Mrs K. Leeds accepted that it should have asked about the maintenance payments earlier and that there was a delay on the application between 22 July and 8 August and offered compensation of £50.

Our investigator felt that the compensation was insufficient as if Mrs K was made aware of the affordability issue in July when the offer was being considered that she could have considered her options but that she wasn't made aware of the problem until August. He felt that compensation of £200 was more appropriate for Mrs K's disappointment with the withdrawn offer. Whilst Leeds accepted this, Mrs K asked for a 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.

Although Leeds accepted that it made an error when first underwriting this mortgage, Mrs K got the mortgage that she wanted at that time. Her decision to look for extra borrowing of £5,000 meant that Leeds revisited the mortgage application and began to raise questions about the child maintenance payment. I don't see there being any unreasonable delay when Leeds started making those enquiries to understand more about the child maintenance payment. This wasn't straightforward as it turned out the child was a young adult and not living at home but at university and in part-time employment. Because of that the amount Leeds was able to offer was adjusted. But it seems to me that these queries would have been raised in any event and the time taken to process that information doesn't seem overly long. The application was clearly being actively considered by Leeds.

So, I consider that the child maintenance issue would have taken time to sort out in any event. That time should have been taken before the first mortgage offer issued but because it was overlooked, that time was taken up when the application was made for the increased borrowing.

Mrs K's complaint relates to the time taken up by Leeds in considering this issue against the background of interest rates that rose at this time. If Leeds had processed the application more efficiently the first mortgage offer would probably have taken a longer time to issue - Mrs K noted it had been issued fairly swiftly - as Leeds made its enquiries into the child maintenance payment. I've read Mrs K's texts to her broker, and I see her frustration as she waited for a reply from Leeds but on the other hand I've seen the notes on Leeds file which shows that the issue was being worked on through August and September. I appreciate that there was some delay because the first mortgage offer issued without considering the effect of the maintenance payment and that raised Mrs K's expectations which were then dashed when the error came to light. I agree that Mrs K should get compensated for her disappointment with that service and the figure of £200 appears appropriate.

But I don't agree that the delay in processing the application was excessive. Unfortunately, whilst Mrs K waited for a decision, interest rates changed but that was outside Leeds control and not Leeds fault. So, I don't consider it fair or reasonable that Leeds meets the cost to Mrs K of that interest rate rise.

Putting things right

Leeds Building Society should pay Mrs K £200 in total less any money already paid.

My final decision

I uphold this complaint and require Leeds Building Society to pay Mrs K £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 6 February 2024.

Gerard McManus
Ombudsman