

## **The complaint**

Mr M complains about how long it took State Bank Of India (UK) Limited ("SBI") to respond to his Buy To Let ("BTL") mortgage application with an offer. He complains both about the delays SBI caused and the lack of information while his application was being processed.

## **What happened**

Mr M applied for a BTL mortgage with SBI through a broker, on 22 June 2022. He was sent an email, directly to him rather than via his broker, to sign the application. Mr M said neither he nor his broker had ever seen this approach before, of contacting the client directly rather than going through the broker, but he accepted that he didn't respond to this email right away. He didn't return the signed form until 13 July. But he said SBI then delayed unreasonably in generating his offer.

Mr M's broker was initially told that there was a 20 day backlog for initial underwriting. The broker was then told this had escalated to 42 days. But Mr M said it was 49 days after the application was signed, that SBI instructed a valuation, on 31 August. The valuers chosen couldn't complete the valuation until 26 September.

SBI got the valuation back on 26 September. On 19 October, a task appeared on the broker portal, asking Mr M's broker to provide more information. Mr M's broker said that she didn't know what she was being asked for, and although she asked her liaison contact at SBI, its area business manager ("ABM") he didn't know either. Mr M's broker said she uploaded a business plan, which might have been what was wanted, but she pointed out that this had already been accepted by SBI several months earlier, on 27 June.

After this, nothing happened for some time. By 14 November, the offer still hadn't been received, and although the broker was frequently in contact with SBI's ABM, he couldn't say what the problem was either.

Mr M said he'd applied to remortgage four months before his old mortgage deal was due to end. But due to the time taken to process this application by SBI, he'd ended up paying the standard variable rate ("SVR") with his old lender.

On 14 November, with no offer letter received, Mr M's broker complained on his behalf. On 17 November, a response was received, and Mr M's offer appears to have been issued on the same day.

SBI said it doesn't have a target time for responding to BTL mortgage applications. It said it has its own processes and checks, so it felt it couldn't be compared to other lenders. It said it wouldn't be fair for SBI to have prioritised Mr M's case.

SBI did apologise for the delays, which it said were just down to a high volume of applications. But it said its ABM had been in regular contact with Mr M's broker throughout this period. SBI said it wouldn't pay any of the extra costs Mr M had incurred, it felt it wasn't liable for those.

When this complaint came to our service, SBI said Mr M did now have his offer. It repeated that the delay was just due to the volume of work the bank received, and said Mr M's broker could be expected to be aware of the market conditions at the time. SBI said Mr M's broker was also made aware directly of the issues at SBI, and her representations to our service showed this. It also wanted to highlight the initial delay Mr M caused by not responding to its email.

Our investigator thought this complaint should be upheld in part. She said that, overall, the application took five months, which is longer than she would expect for this sort of application. She said that SBI had told Mr M's broker about significant delays, but the time taken for this application to reach offer stage was longer than this. She also thought SBI could have been clearer with Mr M or his broker about the reasons for the delays.

Our investigator didn't think SBI had to pay the additional costs Mr M incurred when he went onto his old lender's SVR. She said he could have sourced a different mortgage elsewhere. But she said SBI should pay Mr M £200 in acknowledgment of the time the application took and due to the lack of specific updates.

SBI said it wanted to see formal guidance from our service on how long underwriting commercial mortgages should take. And it wanted to know why it should have prioritised Mr M's mortgage over other customers. It pointed out that it had honoured the rate Mr M had applied for. It said his business costs (as this was a commercial mortgage) were not the responsibility of SBI. SBI felt that our investigator had ignored market conditions at the time, and the compensation suggested was arbitrary and unfair. It said it shouldn't be penalised for delays that it kept Mr M informed about, just because he chose not to exercise his right to go elsewhere.

Mr M accepted the decision. His broker replied on his behalf, saying that this was lending to Mr M personally, not to a business. The broker said she thought the compensation amount should be higher, but she told us Mr M just wanted to bring things to a close.

Our investigator replied to SBI to say that there isn't specific guidance on what constitutes "excessive delay". She'd made a judgement based on normal industry practice and what is fair and reasonable for a consumer to expect when making an application. Our investigator also stressed that Mr M had taken the mortgage out in his sole name, and our service does award compensation payments to sole traders.

SBI continued to object. It said our service wasn't qualified to tell a business how long it should take to underwrite a mortgage. And it said that the broker was wholly aware that SBI was experiencing delays. SBI repeated that Mr M could have gone elsewhere at any point and therefore mitigated any delay himself, if the matter was that pressing.

SBI said our investigator had suggested it should pay £200 for the time the application took and due to the lack of specific updates. It wanted to know what lack of specific updates she was referring to.

SBI remained very unhappy that it was being asked to pay compensation in this case. Because no agreement was reached, this case came to me for a final 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.

I've reached the same overall conclusion on this complaint as our investigator.

I think this application divides into two – what happened before the valuation, and what happened after.

Before the valuation, when the application was submitted to SBI, Mr M's broker does appear to have been aware that SBI was experiencing delays, taking around 20 days to get to initial underwriting stage. Shortly after this, she was told that these delays had escalated, and it was now taking up to 42 days for an application to get to the initial underwriting stage.

Mr M is an experienced landlord, who owns other properties. He had started this mortgage application in good time, but was then warned about considerable delays, which apparently increased sharply not long after his application was made.

I think it's reasonable to assume that Mr M would have been aware of the market turmoil at the time when he was advised by his broker of the increasing delays with SBI. That could be expected to increase mortgage processing times generally, and also times for property valuations to be obtained. So I think it's reasonable to assume that Mr M made an informed decision to continue his application with SBI at this stage, although he may no longer have been confident that his new mortgage offer could be obtained from SBI before he went onto his old lender's SVR.

For those reasons, I don't think SBI has to cover the additional costs that Mr M incurred, when he went onto his old lender's SVR, before moving his mortgage to SBI.

The valuation was completed and promptly returned, so it was available to SBI by 26 August.

After the valuation, email exchanges between the broker and SBI's ABM suggest to me that Mr M's application appears to have stalled somewhat. And although SBI has challenged our investigator's assessment that there was a lack of specific updates at this point, I think her conclusion is consistent with the email exchanges I've read between Mr M's broker and SBI's ABM. I do think that the flow of information to Mr M's broker, after the property valuation was done, appears to have been particularly poor.

SBI has told us that it was experiencing extreme work pressures, and it said it had previously updated its email straplines, to make sure that these advised of increasing delays. It also said that after 15 August 2022, shortly before the valuation was completed, this text was amended again to remove any promises about response times, and instead to ask readers to contact the bank for the anticipated wait times.

I should note firstly that these lines don't appear to have been part of the communications between Mr M's broker and SBI's ABM. And I also note that when Mr M's broker did ask for updates, she was told that the ABM simply couldn't give her the information she wanted.

Between 26 August and 17 November, when the offer was apparently received by Mr M, there were emails between the broker and the ABM, in which she requested updates, and the ABM wasn't able to share the cause of the delay. Some further questions were asked, and answered, on 20 October. The broker said this was information that SBI had already. And a document was then uploaded again, on 26 October. Again, the broker said this was information SBI already had, and the ABM appears to have accepted that.

So Mr M and his broker experienced a delay of a little under three months, between the completion of the valuation on the property he wanted to remortgage and the issue of an

offer. Although SBI's ABM does appear to have been seeking to obtain answers for Mr M, there appears to me to have been little to no explanation of this delay, or information on how much longer the wait might be, provided by SBI during this time. There was also no explanation of why information which the broker said had already been supplied, was requested again.

SBI has said that Mr M could simply have taken his business elsewhere at any point. But I would expect that, by this time, the mortgage rates available to him elsewhere would be significantly less advantageous than the rate he'd first applied for with SBI some months earlier. So I don't think Mr M was, at this point, obliged to seek to mitigate his losses by remortgaging elsewhere. That's because I think this action would have been likely to have increased, rather than mitigated, any such losses.

Having considered carefully the representations from both sides, and placing these in the context of the mortgage market at the time, I have reached the same conclusion as our investigator, that SBI provided Mr M with poor service in this case. That's not solely because it took nearly three months to provide him with a mortgage offer, after an apparently satisfactory valuation was received, but also because, despite what appears to be the best efforts of its ABM, it doesn't appear to have been able to give him any meaningful updates on progress during this time.

In the circumstances of this case, I think that a payment of £200 would provide a fair and reasonable outcome to this complaint. So that's what I'll ask SBI to pay now.

### **My final decision**

My final decision is that State Bank Of India (UK) Limited must pay Mr M £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 August 2023.

Esther Absalom-Gough

**Ombudsman**