DRN-4427357

The complaint

Mr and Mrs L complain that Connells Limited failed to arrange a re-mortgage for them before interest rates increased, leading to them having to pay for a more expensive mortgage for the next two years.

What happened

Mr and Mrs L paid for a lifetime mortgage advice service – which entitles them to mortgage advice from Connells for life – in 2014. They successfully used the service on a number of occasions in the years since, most recently in 2021.

In April 2022 Mr and Mrs L got in touch with Connells to ask it to secure a new interest rate on their mortgage. Connells replied on 3 April 2022 saying a new deal effective from July 2022 at a rate of around 1.75% was available. Content with this, Mr and Mrs L took no further action other than waiting for Connells to confirm the new mortgage in due course.

By June 2022 Mr and Mrs L hadn't heard anything so got back in touch with Connells. They say the adviser they were dealing with told them he had forgotten to submit their application. They say the adviser also told them not to worry and that as there was a good chance interest rates were about to fall, it wasn't the best time to go ahead anyway.

In September 2022 Mr and Mrs L again asked Connells to arrange a new interest rate for them. They say it didn't reply to their emails in September and October, and then booked an appointment in October which didn't go ahead. So they complained in November.

Connells said that the adviser Mr and Mrs L were dealing wasn't able to deal with a re-mortgage application as he worked in new home sales. But it accepted he should have passed Mr and Mrs L on to the appropriate department, and that an appointment arranged in October had not gone ahead because of a "technical issue". It accepted that Mr and Mrs L had experienced poor customer service as a result, for which it offered £200 compensation.

But Connells didn't think it was responsible for Mr and Mrs L paying extra interest, since they were locked into their existing mortgage deal with an early repayment charge (ERC). As no formal discussions had been carried out, Connells said that it couldn't be sure that it would have been appropriate for Mr and Mrs L to pay the ERC and re-mortgage rather than remain with their existing lender. So it didn't think there was any financial loss.

Mr and Mrs L weren't happy with that. They estimated that had they been able to secure a rate in July 2022 as they'd originally asked, the lower rates available at that time mean they would have paid around £23,000 less over two years than they would on the higher rates available by November. So they brought their complaint to the Financial Ombudsman Service.

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 looked at the history of Mr and Mrs L's arrangements with Connells, and their exchanges of emails in 2022.

Mr and Mrs L took out a mortgage with a lender I'll call A in 2021 to purchase their current home. This mortgage wasn't the most favourable on the market at the time, but it was the best available to Mr and Mrs L because of some issues with Mr L proving his self-employed income.

The mortgage with A was for around £560,000 over a 36 year term, with an initial fixed rate of 2.25% running until 30 June 2023. There was an early repayment charge (ERC) of 2.5% of the mortgage balance repaid in the first year of the fixed rate and 1.5% in the second.

By April 2022, the issues with Mr L's income had been resolved. Mr and Mrs L had also carried out substantial improvements to their property, which they believed would increase its value and reduce the loan to value. So they emailed Connells asking whether it would be worth paying the ERC on their existing mortgage to secure a better interest rate elsewhere.

Connells told Mr and Mrs L that while the best available interest rate was lower than their existing mortgage with A, the saving wouldn't be enough to offset the ERC – but that might be different if the home improvements were enough to move the property into a better loan to value bracket. Mr and Mrs L thought that was the case, so Connells said it would prepare an application with a view to a new rate starting on 1 July 2022, when the ERC on their existing mortgage reduced.

On 3 April 2022, Mr L emailed Connells to confirm their belief that the property had increased in value, and that they wanted to go ahead with a view to a 1 July completion date.

There was then no further contact, until Mr L emailed Connells on 10 June to ask whether it was on track for a 1 July completion date. Mr and Mrs L say they then had a conversation with the Connells adviser they'd been emailing, though there is no recording or notes of that conversation available. They say they were told the adviser had forgotten to submit their application, but that in any event it didn't matter as it wasn't the best time to make an application.

On 29 September 2022, Mr L asked Connells to start preparing an application to go ahead with a re-mortgage to start on the expiry of their fixed rate mortgage on 1 July 2023. Mr L chased Connells for a response on 5 October. There was then some further delay, which led to Mr and Mrs L bringing this complaint.

Since making this complaint, Mr and Mrs L have been in further contact with Connells to discuss re-mortgaging. Mr and Mrs L have made a separate complaint to Connells about delays in dealing with that application, and have since re-mortgaged with A (without Connells' assistance), taking a five year fixed rate of 4.38%.

I'm satisfied there were customer service failings on Connells' part. The adviser Mr and Mrs L dealt with in April 2022 wasn't able to help them – but didn't tell them that, and didn't refer them on to the appropriate department. Nor did he progress their application as Mr and Mrs L had requested in the April emails. And Mr and Mrs L were further inconvenienced by problems offering an appointment in October. None of that is in dispute.

This complaint turns on what the consequences of that failure were. Mr and Mrs L say that they would have taken a new fixed rate of around 1.75% with effect from July 2022, and by not re-mortgaging at that point, and taking a rate of 4.38% this year instead, they've suffered substantial financial loss.

I agree with Mr and Mrs L that the correct way to put things right is to put them back in the position they would have been in had nothing gone wrong.

However, on balance, I'm not persuaded that it's more likely than not that Mr and Mrs L would have re-mortgaged in July 2022 but for Connells' failings.

The emails from April 2022 show only a preliminary discussion. Mr and Mrs L indicated that they wanted to re-mortgage – though not (as they said in bringing their complaint) because of concerns about future interest rate rises, but (as the email from the time says) because they thought their home improvements and the resolution of Mr L's problems showing his self-employed income meant they could improve on the deal they'd secured the previous year. At this time, the extent of the interest rate rises that started later in 2022, particularly around September and October of that year, hadn't happened and couldn't have been foreseen.

With hindsight, in the knowledge of what's happened since, I can see that Mr and Mrs L would likely have been better off had they taken a two or five year fixed rate in July 2022. But I can't apply hindsight to this complaint, and based on the evidence from the time I can see that Mr and Mrs L's primary concern was to better their existing deal, not to protect themselves from future interest rate rises.

In any case, before an application could go ahead, they would need to have had a more detailed discussion with a Connells adviser. The adviser would have gone through their finances and looked at what was available in the market, and then made a recommendation. That recommendation might have been to apply for a specific mortgage, or it might have been that it was better not to apply. Things never reached that stage, and the figure of 1.75% quoted in the email was an indicative figure of what might be available not a recommendation of a specific mortgage.

Since this process was never gone through, I can't be certain what would have happened. But on balance I think it's likely Mr and Mrs L wouldn't have proceeded with a full application.

In the April 2022 emails, Connells said that the best available rate on the market was around 1.75%. But there was no further information given. This was dependent on Mr and Mrs L's property having increased in value enough to taken them into a lower loan to value bracket – which would have been subject to a valuation that never happened. And it was dependent on the new lender that offered that rate (which wasn't specified in the email) accepting an application from Mr and Mrs L and offering them that rate. I can see from other correspondence in this case that there had been some difficulty finding a lender in 2021, and that one of the lenders Connells considered in 2023 declined to proceed at decision in principle stage. So it's far from certain that Mr and Mrs L would have been able to secure a 1.75% rate in July 2022.

But even if that rate was available to them, I don't think it's likely they would taken it. To secure that rate, they'd have to pay an ERC to A of around £8,000 (depending on their exact mortgage balance in 2022). Reducing their interest rate from the 2.25% they were on with A to the hypothetical 1.75% mentioned in the April 2022 email would have reduced their monthly payment by around £150 – but to recoup the ERC of £8,000 they would have needed to reduce their monthly payment by over £330 per month over two years – more if the comparison is made to the end of their 2021 rate.

If Mr and Mrs L had taken a rate of 1.75% in July 2022, they wouldn't have had to take a rate of 4.38% in July 2023 – so they would have saved more money on the second year (comparing 1.75% with 4.83% rather than 2.25%). But as I say what would happen to interest rates after September 2022 couldn't have been known in April 2022, and so wouldn't have been a factor Mr and Mrs L could have taken into account in deciding what to do at that time – when their primary concern was to save money compared to their 2021 mortgage rather than to insure against future rates.

I'm therefore not persuaded that if Connells had done what it should have done, and arranged an appointment for Mr and Mrs L to receive formal mortgage advice in April 2022, that would have resulted in it making a recommendation that Mr and Mrs L should have re-mortgaged, and I don't think they would in fact have done so – because, based on what was known at the time, it would have appeared that the cost of switching outweighed the savings.

I'm supported in that conclusion by Mr L's recollection of the conversation he had with the Connells staff member, which is that he was told that it wasn't worth going ahead at that time but that if interest rates started to rise an application could be submitted to secure a new rate then. And in fact that is what happened – as Mr and Mrs L agreed to that, and next got in touch to discuss an application on 29 September, just after interest rates rose particularly sharply in the wake of the September 2022 mini-budget.

I don't therefore think that Mr and Mrs L have suffered any financial loss as a result of Connells' failings. Even if it had arranged for Mr and Mrs L to formally take mortgage advice in April or May 2022, I don't think that would have resulted in Mr and Mrs L going ahead with a re-mortgage at that time in any case. So Connells' failings haven't resulted in them doing anything differently to what they would have done anyway.

And if Connells had arranged an appointment for them in October or November 2022 it's likely it wouldn't have been able to secure a rate for them at that time either. That's because Mr and Mrs L were eight or nine months away from the end of their existing rate, and it's not generally possible to secure a new rate that far in advance – unless Mr and Mrs L paid an ERC to end their existing rate early. But given the shorter period remaining, and given that they would pay an ERC of around £8,000 to secure a substantially higher rate than they were on already, I don't think it's likely they would have done that.

And in any case, this was when interest rates were at their peak, so it's unlikely that any rate Mr and Mrs L could have secured at this time would have been less than the 4.83% they ended up taking in 2023 – so even if Connells ought to have secured a rate for them in late 2022, the failure to do so hasn't caused Mr and Mrs L any loss.

Taking all that into account, I don't think it would be fair and reasonable to require Connells to compensate Mr and Mrs L for any financial loss, since I'm not persuaded it caused any. However, its customer service failings did lead to frustration and inconvenience, though. It has offered £200 compensation for that, which I think is fair in all the circumstances. That takes into account the level of awards the Financial Ombudsman Service makes in cases like this (information about that is available on our website). It recognises that Mr and Mrs L were caused some disappointment and the inconvenience of chasing responses to emails and a missed appointment, but that it ultimately made no difference to their financial position – although this wasn't made clear to them at the time, so it did cause them worry.

My final decision

My final decision is that I'm satisfied Connells Limited has made a fair and reasonable offer to settle this complaint. It should pay Mr and Mrs L £200 compensation if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs L and Mr L to accept or reject my decision before 4 December 2023.

Simon Pugh
Ombudsman