DRN-4306673

The complaint

Mr J complains that Clydesdale Bank Plc trading as Virgin Money unfairly refused his application to port his mortgage product which meant he had to pay an early repayment charge ("ERC") and lost the mortgage product.

What happened

Mr J contacted his financial advisor on the 20 Feb 2023 to say he had found a property to purchase as he had sold his existing one and wanted to check his options with Virgin Money and look to port the mortgage product. Mr J wanted to port to use the fixed interest rate of 2.3% per annum. At that point Mr J was told by his broker that he could borrow £205,000 based on an affordability calculation and so proceeded with his purchase. Mr J collected his documents and submitted those to the broker to progress the application. Mr J completed the decision in principle ("DIP") on 2 March 2023 and to his astonishment it only came back with £162,000 and so the purchase was in jeopardy.

Mr J asked why, and his broker advised Virgin Money would not tell him. Mr J's assumption was that Virgin Money was taking his settled debt into account. At the time of the application Mr J had a recently settled a loan for which he was paying £243 per month. It ended in January but still reflected on his credit file as he understood the information on the credit file lagged behind. The credit file showed the current balance of £243 and a monthly payment of £243 updated in January so Mr J says it was clear that the last payment had been made and the debt settled.

Mr J says that Virgin Money refused to take a common-sense view of this and didn't invite him to provide evidence that the debt was settled. As Mr J was unable to get the loan he wanted, he had to pay an ERC of £4,000 and take out another mortgage product at a fixed rate of over 5% per annum. Mr J raised a complaint about this on 13 March 2023 and on 28 March 2023 Virgin Money replied to say that it didn't uphold the complaint. Mr J redeemed his mortgage on 31 March. Our investigator's view was that Virgin Money had used its standard affordability model and applied its lending criteria and had done nothing wrong. Mr J disagreed and 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.

I note that Mr J had an existing mortgage with Virgin Money which at the time of the application was for £82,054.00. Mr J was now applying for a loan of £199,750 but after Virgin Money ran the DIP it would only indicate that the maximum loan offered was £162,027.00.

In this case Mr J was applying for a substantial increase in his borrowing and on a joint mortgage to buy another property and sell his existing one. In the event Virgin Money wouldn't lend him all the money. It did indicate that it would consider lending £162,027 which of course would have allowed Mr J to port his mortgage product and avoid the ERC. But Mr J required a higher level of borrowing that he understood from a previous affordability assessment, Virgin Money would lend him. But when Mr J began the application it became clear that Virgin Money wasn't prepared to lend him all that he wanted to borrow.

Obviously, the money is Virgin Money's to lend, and it's entitled to lend or not. In order to decide whether to loan money or not it has developed policies on lending which we would expect it to follow as long as its process is fair. Mr J says he was denied the opportunity to port his mortgage product and had to pay an ERC although he could have ported had he borrowed less. But the DIP showed different figures than the initial affordability calculations. That is not unusual. As I understand it, an initial affordability assessment is based on the consumer's assessment of their income, spending and credit whereas the DIP may include modelling taking into consideration statistical data such as likely spending of the household. It may also include information from credit reference agencies following a credit check. Each lender will have their own modelling. Virgin Money applied its standard model and resulting in the figure quoted above.

This meant, as the credit figures were taken from credit reference agencies, that the monthly payment of £243 which showed as a current loan with the credit reference agency consulted, was taken into the calculation although it was ending. But Virgin Money has shown us that its policy is to do that if the loan appears as current on its credit search and, so. followed its policy.

We expect Virgin Money to act fairly and applying its policy to Mr J as it would to another consumer is an indication that it acted fairly. Although Mr J points to the extra monthly payment as being incorrectly added to the assessment and affecting how much Virgin Money could lend, the DIP could also have been affected by other factors if, for example Virgin Money's modelling of the likely expenditure of the household differed than Mr J's assessment of it. So, whilst the monthly loan payment might have had an effect on the DIP it's not clear that it was solely responsible for the difference between the earlier affordability assessment and the later DIP. So, I can't be sure that even if the monthly loan payment was omitted from the DIP assessment that Mr J would have got the figure that he wanted to complete the purchase in any case.

Finally, I note that this application ended on 2 March 2023. I don't see any other contact on the file from Mr J or the broker until Mr J contacts Virgin Money on 13 March when he had already got another mortgage offer and was moving on with his purchase but with another lender. In that contact, Mr J recounts a poor experience he had with Virgin Money two years previously and notes that then he appealed to the underwriters who, as he says, moved the matter on. I see no evidence of an appeal to the underwriters here looking for an exception to Virgin Money's policy. Clearly from Mr J's previous experience he knew that there was a way to ask the underwriters to consider an exception. I expect from Mr J's point of view that may have taken some time and a full application and Mr J appears to have been under pressure of time to offer on his new property and didn't do so. In any case as stated above I consider that Virgin Money acted fairly in following its lending policy on this application and I don't uphold this complaint.

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 J to accept or reject my decision before 1 February 2024.

Gerard McManus
Ombudsman