

The complaint

Mr J complains that Clydesdale Bank Plc trading as Virgin Money is now taking mortgage payments of over £1,000.00 per month rather than £381.40 he had been paying although he applied for a new mortgage with the bank which would have considerably reduced his payments.

What happened

Mr J has property which he has let out and has a mortgage on it with Virgin Money. The two-year fixed mortgage product he had with Virgin Money was to expire on 1 November 2022. Mr J wanted to continue the mortgage with the bank and release some equity in the region of £10,000-£12,000. Mr J says he had various discussions with a buy to let adviser over several months and understood that everything was proceeding smoothly and awaiting a valuation because of the request for further borrowing. Mr J had difficulties getting through to Virgin Money in September/October. Late in October Mr B found out that his payments would go up in November to £913 and that the valuation which was done in early September had been stored and not yet considered. Although Mr B was assured that the extra payments would be refunded he was then told that the mortgage had been refused because of the valuation.

Virgin Money said that it refused the application because the property was a house in multiple occupation ("HMO") which are properties outside its lending policy. It agreed it should have informed Mr J about this much earlier and offered compensation of £250. Our investigator agreed that this represented fair compensation and didn't require Virgin Money to do anything further. 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.

Mr J clearly sets out in the complaint form the issues he has had with Virgin Money. Mr J says that he had cordial discussions with a mortgage adviser until September/October when he had difficulties getting through to the bank. Then he realised that the application hadn't been considered because the valuation was "misplaced" and when it was considered the application was refused and Mr J's monthly payments suddenly increased.

If I look at the application objectively, the valuation indicated that this was a property described as a HMO and Virgin Money's current policy isn't to loan on a HMO. I see nothing wrong with Virgin Money's refusal of the application as it's not in line with its policy. I do see that there was something wrong with the process both with Mr J's inability to make contact and the failure to deal with the valuation and therefore the application promptly. I have to look at whether Mr J suffered financially as a result. Mr J's payments went up from November onwards as a result of going onto Virgin Money's variable rate. I could look at Mr J's financial loss if he had been able to get a deal elsewhere and this deal was delayed

because he hadn't received a timely decision from Virgin Money. But Mr J has been unable to get an alternative deal and has told us he intends selling the property.

So, in my view, the delay by itself did not hurt Mr J financially. Mr J says that mortgage stress tests hardened in the autumn of 2022. But I've nothing concrete to suggest that if say Virgin Money told him about the refusal in early September that he would have got an alternative mortgage then given he has been unable to source an alternative mortgage after Virgin Money told him of its refusal some weeks later. It was Virgin Money's refusal to grant a new mortgage that led to Mr J's increased payments. But, as I say above, I can find nothing wrong with that decision. So, I can't fairly say that Mr J suffered financially from the problems he had with Virgin Money's service. I agree with him that the delay by Virgin Money and the problems he had communicating with them must have been very frustrating. I agree with Virgin Money and our investigator that a sum of £250 represents fair compensation for those service issues but I don't require Virgin Money to make any further payment.

My final decision

Clydesdale Bank Plc trading as Virgin Money already made an offer to pay Mr J £250 to settle his complaint and I think the offer is fair in the circumstances. I understand that this money has been paid but if it has not Virgin Money should pay Mr J £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 September 2023.

Gerard McManus
Ombudsman