

## **The complaint**

Mr and Mrs M complain about mortgage advice they received from Countrywide Principal Services Limited.

## **What happened**

Mr and Mrs M's mortgage would come to the end of a five year fixed rate in October 2022, so in April they spoke to Countrywide to discuss re-mortgaging.

In May 2022 Countrywide sent Mr and Mrs M an illustration of a new mortgage with a new lender, and they confirmed they wanted to go ahead. They paid Countrywide over £700, which included the fee for its lifetime mortgage advice service and a fee for drafting a will.

Mr and Mrs M were then contacted by a separate company requesting an additional £200 for will-writing services. Mr and Mrs M said they understood they had paid the fee and would not have to pay any more.

The mortgage application proceeded, a valuation was carried out and solicitors instructed. The solicitors asked Mr and Mrs M for further information about their property title, which they provided. Mr and Mrs M say they then heard nothing further for three months, at which point they received a notification from the solicitors that their case had been closed.

Mr and Mrs M contacted the solicitors, who advised them to contact the lender. The lender told them that it had closed their application because Countrywide had not responded to its queries. Mr and Mrs M therefore spoke to their Countrywide adviser, and they say he told them not to worry and that everything was in hand.

Two weeks later Mr and Mrs M contacted Countrywide and asked for an update. They say the adviser told them he would email them the next day. They didn't receive an email, and after a further two weeks they spoke to the adviser again who told them the mortgage application had fallen through.

By now it was late September 2022, so Mr and Mrs M had to take a rate with their existing lender. They were able to secure a five year fixed rate of 3.36% over five years – this compares to a mortgage of 2.29% they'd applied for in May. As a result, Mr and Mrs M complain they will have to pay higher interest for the next five years, and that because of the higher interest rate they were no longer able to borrow an additional £5,000 they'd budgeted for to spend on home improvements, and which by then they were committed to. They also had to abandon plans to reduce their mortgage term by two years to make it affordable at the higher rate, which could mean they might have to postpone their retirements in the future.

Mr and Mrs M's existing fixed rate was due to expire on 1 October 2022, and on 30 September 2022 they noticed in their online banking that there was a pending payment due the next day for a higher amount than they were expecting.

They contacted Countrywide only to find out that it hadn't submitted the application to their

existing lender either, so instead of moving from one fixed rate to another they were moving on to the lender's standard variable rate (SVR). This meant that Mr and Mrs M's mortgage payment for October was more than £200 more than they were expecting or had budgeted for. Their new fixed rate was finally implemented that month.

Mr and Mrs M complained to Countrywide. When it didn't respond within eight weeks, they brought their complaint to the Financial Ombudsman Service. They complain that they have paid for a service they didn't receive. They paid extra for a lifetime service but after this experience have no intention of using Countrywide again in the future. They also paid for a will writing service they didn't receive, because it wasn't made clear to them there would be further fees charged by the will-writing company. And they've ended up staying with their existing lender at a higher interest rate and over a longer term than they could have achieved, and losing out on borrowing the additional money they needed for home improvements. They say they found the whole experience very stressful and worrying, and it involved them in a lot of work chasing up Countrywide to find out what was happening.

Countrywide said that the new lender's valuation had found Mr and Mrs M's property to be worth less than they had thought, increasing the loan to value. This meant that the interest rate Mr and Mrs M had selected wasn't available to them. Countrywide said it tried to appeal the valuation, but accepted it hadn't communicated this to Mr and Mrs M. It said the rate they'd ended up taking with their existing lender was lower than the rate they would have been able to get from the new lender following the reduced valuation. Countrywide offered £300 compensation for the poor communication, and a partial refund of a further £300 of the advice fee they'd paid. It also offered to refund the deposit they'd paid for the will writing service.

Our investigator said that was fair, but that Countrywide should also refund the difference between the interest rate Mr and Mrs M could have taken with the new lender and the rate they ended up taking with their existing lender. Countrywide didn't agree and asked for an ombudsman to review the complaint.

I largely agreed with the investigator as to the overall outcome, but I thought there was more Countrywide needed to do to put things right. I issued a provisional decision to allow the parties a chance to comment on my thinking before I make a final decision.

### **My provisional decision**

I said:

"From the evidence I've seen, I'm satisfied that Countrywide provided Mr and Mrs M with very poor service. It didn't keep them up to date with their mortgage application or respond to their queries. It didn't tell them their property had been valued at less than they'd thought, or that this might affect the amount they could borrow. It didn't even submit the rate switch with their existing lender in time for it to take effect on the expiry of the old rate.

Countrywide says that when the new lender's valuation said Mr and Mrs M's property was worth less than they'd thought, this meant they would either have to borrow less to maintain the loan to value, or take a higher interest rate to reflect the higher loan to value.

It should have explained this to Mr and Mrs M as soon as it happened, and found out which of those options they wanted to take – or whether they wanted to do something else, such as appeal the valuation or look for another lender. But Countrywide didn't do any of those things.

It says the adviser appealed the valuation on their behalf but I've not seen any evidence that it actually did so. Countrywide's own notes show that its adviser didn't contact the lender or record the outcome of the valuation until 29 July 2022, when the lender chased it for a response to the outcome of the valuation, despite the valuation happening in May. Countrywide's notes show that even after the lender chased it on 29 July it took no further action, and eventually the lender cancelled the application in September.

So I don't accept that Countrywide was trying to resolve matters behind the scenes, and merely failed to keep Mr and Mrs M updated. There's no evidence of that. The evidence shows that it simply failed to take any action at all – with the result that Mr and Mrs M's application lapsed and they lost out on the chance to move their mortgage to the new lender.

Countrywide says it wouldn't be fair to compensate Mr and Mrs M for ending up with a mortgage at a higher rate than they could have had with the new lender, because the mortgage they wanted wasn't available to them.

We asked Mr and Mrs M what they would have done had Countrywide told them the outcome of the valuation and discussed next steps with them. They say that it's likely they would have agreed to go ahead with the reduced loan amount. The lender had only reduced the amount available to them by around £3,000 so while this would have impacted on their planned home improvements, it was also important to them to get their new mortgage secured as they were concerned about the prospect of rising interest rates.

I see no reason to disbelieve what Mr and Mrs M say. I'm satisfied that if Countrywide had told them what had happened, they would have agreed to go ahead with the new lender at the 2.29% interest rate based on the slightly lower loan balance. So even though the specific mortgage they originally wanted wasn't available to them, something very like it – and which they would have agreed to – was.

Countrywide also says that as the lender never issued an offer, there was no guarantee Mr and Mrs M would have been able to move to this lender anyway. That's true – but a large part of the reason the lender never issued an offer was because Countrywide's failings frustrated their application. Countrywide clearly considered it was likely the lender would have accepted their income and financial circumstances, or it wouldn't have recommended the mortgage in the first place. Subject to the lower valuation, it seems their property had been found to be acceptable security. There's nothing in the mortgage application that raises significant concerns. On balance, I think it's more likely than not that Mr and Mrs M would have been able to secure this mortgage – at the lower balance – had they been given that opportunity. I'm satisfied the reason they didn't was because Countrywide failed to progress their application.

And even if that wasn't the case, if Countrywide had told Mr and Mrs M what was happening in May or June, rather than waiting until September, it's likely Mr and Mrs M would have been able to secure a better rate with their existing lender at that time than the one they were offered in September. I don't know exactly what their existing lender had available at that time, but it's likely to have been broadly comparable to the rate they applied for with the new lender and less than they ended up with.

In the end Countrywide made an application for a rate switch to Mr and Mrs M's existing lender. But it failed here too – the application wasn't submitted in time for it to

follow straight on to the expiry of Mr and Mrs M's previous fixed rate. So they had to pay the lender's SVR in October 2022.

### Putting things right

I'm satisfied that Mr and Mrs M didn't receive the service they'd paid for and were entitled to expect. Countrywide offered to refund half its fee, on the basis that they'd paid for a lifetime advice service and could still use Countrywide in the future.

But Mr and Mrs M say that after this experience they have no intention of using Countrywide again. This doesn't strike me as unreasonable. I don't think it's fair for Countrywide to retain part of the lifetime fee when its service was such that Mr and Mrs M not only didn't receive what they paid for in 2022, but will also not receive it in the future. It should refund all the fees they paid – including the will writing deposit. Countrywide hasn't provided any evidence to show it made clear to Mr and Mrs M that this was only a deposit and that they would have to pay other fees to the will writing service. Once they understood this, they didn't actually use the service and so have received no benefit from the fee they did pay.

I also think Countrywide should compensate Mr and Mrs M for the difference between the mortgage they ought to have been able to take, with the new lender, and the rate they ended up on with their existing lender. I'm satisfied that it's because of Countrywide's failings that Mr and Mrs M will need to pay additional interest for five years from October 2022.

The two mortgages aren't quite like for like, since Mr and Mrs M were also intending to reduce the mortgage term by two years as part of the re-mortgage – this didn't happen when they stayed with their existing lender. And the two balances aren't quite the same. I can't put Mr and Mrs M back in the position they would have been in but for Countrywide's failings, since I can't recreate the mortgage they would have taken with the new lender.

Their loss is the additional interest they will have to pay for each month of the five years of the fixed rate. Calculating the difference between the two interest rates on their existing mortgage – rather than comparing the monthly payments between the two mortgages – ensures Mr and Mrs M are compensated for the longer term as well as the higher interest rate. That calculation should include the payment at the higher SVR in October 2022. Both mortgages had a £999 product fee so there is no loss there.

Finally, Countrywide offered Mr and Mrs M £300 compensation. Having considered everything, I don't think that's enough. Taking into account the upset and worry caused over several months, as well as the ongoing higher payments Mr and Mrs M have had to make since, I think £500 is fair compensation in all the circumstances."

### **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 and Mrs M accepted my provisional decision, and Countrywide didn't reply. As there are no new arguments or evidence, I see no reason to change my mind. For the same reasons I gave in my provisional decision, reproduced above, I uphold this complaint.

## **My final decision**

My final decision is that I uphold this complaint and direct Countrywide Principal Services Limited to:

- Refund all fees Mr and Mrs M paid to Countrywide in respect of its services, including the will writing fee. It should add simple annual interest of 8%\* running from the dates Mr and Mrs M paid the fees to the date of refund.
- Calculate the difference between the monthly payments Mr and Mrs M are required to make on their existing mortgage (with its current balance and term) from 1 October 2022 to the end of the fixed rate they ended up taking – that is, the difference between:
  - the monthly payments Mr and Mrs M are currently required to pay, being the SVR in October 2022 followed by the fixed interest rate of 3.36%; and
  - the monthly payments as they would be if the interest rate was fixed at 2.29% from 1 October 2022.
- Pay the total amount of the difference in monthly payments over the five year term to Mr and Mrs M as a lump sum. I do not include 8% simple interest on the past payments as the loss in being out of pocket for past payments is offset by the benefit of being compensated for future losses in advance.
- Increase its offer of compensation from £300 to £500.

*\* Countrywide may deduct income tax from the 8% interest element of my award, as required by HMRC, but it should tell Mr and Mrs M what it has deducted so they can reclaim the tax from HMRC if they are entitled to do so.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 10 January 2024.

Simon Pugh  
**Ombudsman**