

The complaint

Mrs M and Ms M complain that D G S Independent Financial Advisers Limited applied for a two-year product despite Ms M's instructions that they wanted a five-year fixed interest rate product. They ask for compensation for financial loss. Ms M has dealt with the complaint throughout.

What happened

Mrs M and Ms M took mortgage advice from DGS in late 2021. Ms M says she asked for a five-year product, and didn't discuss a two year product with DGS at any time. She says she only found out she had a two-year product when the lender wrote to her following completion in April 2022. Ms M says they will face a significant increase in interest rates when the two-year product ends and asks for compensation for this.

Our investigator said, based on the evidence, DGS discussed both two-year and five-year products with Ms M. She said documents provided to Mrs M and Ms M, including the mortgage offer that they accepted, set out a two-year product.

Ms M didn't agree. She said she wrote to DGS at the outset explaining why she wanted a five-year rate. She didn't agree there was evidence of a two-year product being discussed. And said she didn't receive the suitability letter, which was wrongly addressed. Ms M said she accepted the mortgage offer without reviewing it as she relied on the expert she paid to advise her.

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 should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

While I appreciate that Mrs M and Ms M will be disappointed, I'm not upholding this complaint. I think they were – or ought reasonably to have been – aware that the application submitted by DGS was for a two-year product. In reaching my decision, I've taken the following into account.

- Ms M provided a copy of a mortgage illustration with a five-year product issued in August 2021. DGS said it issued illustrations for mortgages with a two-year product and a five-year product to a family friend who contacted it on behalf of Ms M in August 2021. DGS says the lender had withdrawn the five-year product before it gave advice to Ms M in September 2021.
- The fact find says the applicants were concerned about future interest rate rises. It also says the maximum early redemption period the applicants would accept was two years.

- A mortgage illustration was issued in late October 2021 with a two-year product. This was just before the application (for a mortgage with a two-year product) was submitted to the lender.
- DGS's recommendation letter says it recommended a mortgage with a two-year product. It refers to the mortgage illustration provided to Mrs M and Ms M and the telephone and email conversations in which they'd discussed and recorded their financial circumstances.
- The mortgage offer issued on 2 December 2021 sets out a two-year product. I think it's reasonable to expect Mrs M and Ms M to read the mortgage offer, which sets out the key terms of the mortgage including the interest rate, product term, fees and monthly payments. DGS sent emails to Ms M in December 2021 and January 2022 asking her to read the offer and check she was happy with the terms.
- Ms M provided an extract from an email she sent to DGS in September 2021, in which she explains why a five-year rate would suit her. The context of this was the possibility of her taking out a mortgage jointly with her sibling who didn't want to be tied into the mortgage for more than five years. Ms M expected her income to increase sufficiently to re-mortgage in her sole name in five years. However, Ms M didn't apply for a mortgage with her sibling. She applied jointly with Mrs M.
- While Ms M initially said she wanted a five-year rate, this doesn't necessarily mean DGS made an error. DGS had to recommend a mortgage that was suitable, based on Ms M's circumstances and needs.
- Ms M didn't meet affordability criteria for the amount she wanted to borrow. So the application was made on a joint basis with Mrs M, a family member. Mrs M wasn't on the title for the security property, and DGS says there are limited lenders that offer mortgages on a joint borrowers/sole title basis. DGS said the two-year product it recommended was the only one Mrs M and Ms M were eligible for.
- DGS said Mrs M and Ms M's application had issues with affordability and the two-year product was more affordable.

Ms M says she didn't receive the recommendation letter. She says it was only sent to Mrs M's address. DGS said Ms M also gave this address as her own. It provided an email from Ms M saying she'd moved to this address three weeks before. I don't think DGS made an error when it wrote to Mrs M and Ms M at this address.

However, there was an error in the postcode used for the letter. DGS said the letter wasn't returned undelivered. Ms M says neither applicant received it.

The letter was also incorrectly dated 5 October 2021. DGS says this was an error and the recommendation letter was issued at the end of October 2021. This is consistent with the date of the mortgage illustration, which is referred to in the recommendation letter.

It's unfortunate if Mrs M and Ms M didn't receive the suitability letter, and Ms M has raised concerns about the date of the letter. But this doesn't change the outcome of this complaint. I think there is sufficient other evidence of Ms M being made aware that the mortgage applied for had a two-year product – including the mortgage offer itself.

On balance, I think DGS did discuss the two-year product with Ms M, and make her aware that it recommended a two-year product and submitted a mortgage application on this basis. And the mortgage offer, which Ms M received and accepted, set out the two-year product. If

Ms M wanted a different product, she could have raised this before the mortgage completed. It follows that I don't think it's fair and reasonable to require DGS to pay compensation to Mrs M and Ms M for them taking out a two-year product instead of the five-year product they now say they wanted.

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 Mrs M and Ms M to accept or reject my decision before 7 August 2023.

Ruth Stevenson
Ombudsman