DRN-4062238

The complaint

Mr F and Mrs M complain about the mortgage advice they received from an appointed representative of Openwork Limited, trading as The Openwork Partnership. They're unhappy that a two-year rather than a five-year fixed interest rate product was recommended to them.

What happened

Mr F and Mrs M approached Openwork for advice in 2020. They were first-time buyers and wanted to buy a property with a help to buy loan (which is a type of shared equity loan) and a mortgage. Openwork gave them advice and a recommendation about a mortgage.

The adviser recommended a two-year fixed rate mortgage. Mr F and Mrs M went ahead with the property purchase and a two-year fixed rate.

In September 2022, Mr F and Mrs M complained. They said the adviser told them they should take a two-year fixed rate because interest rates would drop further in two years' time and they could then get an even lower rate. Had they not been given that assurance, they said they would have taken a five-year fixed rate, to tie in with the length of the interest-free period on their help to buy loan. But interest rates had risen significantly and they will now have to pay much more than they would have done if they had taken a five-year fixed rate.

Openwork said the adviser's recommendation had been suitable given Mr F's and Mrs M's circumstances and what they had said about wanting to keep their payments as low as possible, and wanting to pay off some of their help to buy loan by borrowing more through remortgaging in the short term. It also said it was Mr F and Mrs M, not its adviser, who had thought interest rates would fall further.

Our Investigator also concluded that the recommendation was suitable. Mr F and Mrs M didn't accept that. They said their phone calls with the adviser should have been recorded, and the adviser was lying and covering up their mistake. They also said there were discrepancies in the available documents.

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.

Having done so, while I realise Mr F and Mrs M will be very disappointed, I'm not upholding this complaint.

The adviser's duty was to give Mr F and Mrs M a suitable recommendation, based on their stated needs and circumstances. In making their recommendation, the adviser was working for Mr F and Mrs M, not for the lender they placed the mortgage with.

Mr F's and Mrs M's discussions with the adviser took place by phone and Openwork says they weren't recorded. As our Investigator explained, there's nothing inherently wrong or suspicious in that. The adviser should, however, have kept records of their discussions, including of Mr F's and Mrs M's circumstances and the reasons for the advice they gave.

I've carefully considered Mr F's and Mrs M's recollections alongside the available documents from the time of the sale, which include a fact find, the adviser's notes, key facts and mortgage illustrations, an email from the adviser to Mr F with details of the costs of different arrangements, and a suitability report.

Mr F and Mrs M say these documents weren't shared with them and they didn't sign them. They have also said the details of what they borrowed and on what terms are different – for example, they went on to borrow a lower amount on the mortgage and a higher amount on the help to buy loan than is set out in the documents, and they got a two-year rate of 1.29% rather than the recommended 1.44%.

It's usual for mortgage arrangements to change over time, including between advice being given and a mortgage completing. So the fact that Mr F's and Mrs M's mortgage completed on different terms doesn't mean that the contemporaneous documents in respect of the advice they received are no longer relevant. They have complained that the adviser recommended they take a two-year fixed rate, and that is ultimately what they went ahead with – albeit they have said that in the event they got a slightly lower rate.

The suitability report, which Openwork says was sent to Mr F and Mrs M, says:

> "**Initial rate period**
> I have recommended the initial rate period for the following reasons:
> - it provides the rate and features you require during the initial period whilst providing you with flexibility to review your mortgage arrangements again in the short term. The interest rate on your mortgage will revert to the lender's current variable rate at the end of the initial product term. This could mean that your monthly payments increase substantially
> - The initial rate period recommended strikes the best balance between the need for stability versus the need to minimize the monthly payments"

The adviser's notes of their discussion with Mr F and Mrs M say:

> "Initial rate period: As the clients believe the interest rate will go down further in the near future due to the coronavirus outbreak, and also would like to re-mortgage in a short term, if possible, to borrow more from the mortgage lender to pay off some of the equity loan, as soon as possible. Due to the above reasons, I have recommended a two-year fixed rate mortgage interest rate type: as the clients mentioned the stability of the monthly mortgage payment is extremely important to them, I have recommended a fixed interest rate mortgage."

The email the adviser sent to Mr F included details of how much he could expect the monthly mortgage payments to be on two-year and five-year fixed rates over different mortgage term lengths of 25, 28, and 31 years. Payments on a two-year fixed rate over a term of 31 years were the lowest, and that's what Mr F and Mrs M went ahead with.

I find nothing in the documents from the time of the advice to say that the adviser recommended a two-year instead of a five-year fixed rate because they expected interest rates to fall further in the following two years. And the adviser couldn't reasonably have known in 2020 that mortgage rates, and interest rates generally, would rise when they did or to the extent they did. There were other reasons for the adviser's recommendation, as set out above, and I don't think their recommendation was unsuitable in the circumstances. It's unfortunate that things haven't turned out as Mr F and Mrs M had hoped, but I can't fairly conclude that this is down to any failings on the adviser's part.

My final decision

My final decision is that I don't uphold this complaint. I make no order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs M to accept or reject my decision before 20 December 2023.

Janet Millington
Ombudsman