

The complaint

Mr K and Ms N complain that Newcastle Building Society refused to allow them to substitute an alternative property on the mortgage offer as they expected, and the lender failed to extend the mortgage offer as promised.

What happened

Mr K and Ms N applied through a broker for a mortgage with Newcastle to purchase a property. The mortgage application was made in May 2022 and a mortgage offer issued in September 2022 for that property with an expiry date of December 2022. Mr K and Ms N wanted to substitute a property for the one on the mortgage offer at the end of October 2022, Newcastle's process for doing this had changed which effectively meant that under the new procedure a new application was required. Mr K and Ms N complained, and Newcastle agreed to accept a replacement policy form if it was submitted within 30 days and agreed to extend the mortgage offer by a month to 22 January 2023.

This was extended until February 2023. After further contact between the parties, the time was extended until 17 March 2023 but no further extensions were allowed. Our investigator felt that Newcastle had acted fairly as it extended the times for the issue of the mortgage offer and the substitution of the property well beyond the time limits allowed under the lender's policy. Mr K and Ms N disagree saying in summary that although they agreed that Newcastle had made concessions these were of no use as it didn't provide the paperwork necessary to their conveyancer to complete the purchase.

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.

This complaint has a number of aspects. Firstly, did Newcastle act fairly in how it dealt with Mr K and Ms N's application to extend the mortgage offer and substitute one property for another, and secondly did Newcastle prevent the purchase of the property by not sending the extended mortgage offer to Mr K and Ms N's conveyancer?

Newcastle had a policy, and may still have it, that when a mortgage offer issues it will last for three months. That's Newcastle's policy and although it's a short window, the lender is entitled to set its lending policies and manage its risk accordingly. Mr K and Ms N got a mortgage offer from Newcastle dated 22 September 2022 and that offer was available for completion up to 22 December 2022. Unfortunately, the proposed purchase fell through, and Mr K and Ms N wanted to substitute another property for it but discovered that Newcastle's policy on substitutions had changed and that they needed to make a new application. But a new application meant a new and increased interest rate. The file notes record that on 21 October 2022, Mr K and Ms N contacted Newcastle to complain about this as they had applied before the new policy was implemented. That was resolved after an appeal on 3 November in Mr K and Ms N's favour when Newcastle agreed to accept a replacement property, if they found one within 30 days and, if they did, a mortgage offer would issue giving them 3 months to complete.

The email from Newcastle refers to the existing mortgage offer for the property they had originally wanted to purchase being extended by one month to 22 December 2022 but the existing mortgage offer in any case was to 22 December. That date appears to have been a typing error. Mr K and Ms N asked for confirmation of the date that the extension on their original property ended - described as a backstop - and Newcastle confirmed it was 22 January 2023.

Mr K and Ms N tell me that they lost the substitute property during the short period between 21 October and 3 November as the seller wasn't prepared to wait whilst Newcastle considered the matter. That's unfortunate but I have to consider whether Newcastle acted fairly and reasonably. It seems to me that although its policy on substitution of properties had changed in that time of turbulent interest rates and originally held against the borrowers, it listened to Mr K and Ms N's complaint sympathetically and quickly processed the appeal and came to a decision in their favour. So, I believe that Newcastle did meet that standard we would expect. In the event these periods were further extended after listening to Mr K and Ms N's concerns so that Newcastle extended the time they had to complete the purchase based on its mortgage offer up to 17 March 2023 which is about double the period allowed under its normal policy and that again I consider that shows the lender being fair and reasonable to Mr K and Ms N.

Mr K and Ms N say that as this was a time of market turbulence and as no substitute property became available that they decided to proceed with purchasing the original property but were prevented from doing so as the mortgage offer in the hands of their conveyancer was only valid until 22 December 2022 (in the email of 28 July 2023, the conveyancer refers to its expiring on 2 December 2022 but that looks to be a typing error) and not valid in January when they wished to proceed with the purchase of the original property. I note that on 7 November 2022 Newcastle says it agreed to extend the mortgage offer on the existing property until 22 January 2023. I see that on 6 January that Mr K and Ms N's conveyancer told them that the mortgage offer had expired on 22 December 2022 and if they wished to proceed with the purchase they needed a new mortgage offer.

I would have thought that if Mr K and Ms N were anxious to proceed with the purchase in January that they would have contacted Newcastle to get it to issue the extended mortgage offer that had been agreed. But Mr K and Ms N don't contact Newcastle about this until 20 January to tell the lender they couldn't complete, and the seller had put the property back on the market. I would have thought that if the absence of the extended mortgage offer was the only issue preventing the purchase proceeding it could easily have been sorted by Mr K and Ms N contacting Newcastle and asking the lender to issue a mortgage offer in line with what it had agreed.

So, I don't accept that Newcastle prevented Mr K and Ms N purchasing the original property or acted unfairly or unreasonably in respect of Mr K and Ms N's requests for the substitution of the property or the extension of the mortgage offer and I can't fairly 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 K and Ms N to accept or reject my decision before 4 April 2024.

Gerard McManus
Ombudsman