

The complaint

Mr and Mrs C complain about remortgage advice they received from Hansford Bell Financial Planning Ltd ("HBF"). They said HBF didn't do enough to uncover problems with Mrs C's credit file, and by the time these were found, it was too late to do anything about them.

What happened

Whilst this complaint is brought by both Mr and Mrs C, as the mortgage is in both their names, our dealings have been with Mr C. So I'll mainly refer to him in this decision.

Mr C said he and Mrs C jointly held an interest-only mortgage with a high street lender, which was due to be repaid. They had some investments to use towards the mortgage, but had to balance this with ongoing financial commitments they needed to meet. Their existing lender wouldn't extend the mortgage, so they sought financial advice from HBF.

Mr C said he hadn't known Mrs C had a previous problem with a credit card, which showed on her credit file. And he told us HBF didn't do any credit checks, so it wasn't aware of these issues when it applied for a new mortgage for them. HBF applied on their behalf to a different high street lender, and the remortgage application was then rejected. Mr C said that left them short of time to arrange other lending by the time their existing mortgage was due to be paid off. They ended up with a much more expensive interest-only mortgage as a result. Mr C said this had an impact on them and their family.

Mr C said he'd had no chance to improve Mrs C's credit score, as there was no time to do so. He didn't feel that HBF should give expensive financial advice, without at least asking its clients to get an up to date credit score, in good time for them to try to improve it. Mr C felt HBF was responsible for what went wrong, and he wanted HBF to pay the difference between the interest rate he and Mrs C would have secured with a high street lender, and the one they had now.

HBF didn't think it had done anything wrong. It said it now knows Mrs C had a credit card which remained in default, and a loan with a number of missed payments before it was closed. But it only found this out after the first mortgage application was declined.

HBF said it had asked Mr and Mrs C about their financial history as part of its information gathering, prior to searching for a new mortgage for them. It said if those questions had indicated any previous financial issues, like late payments or credit problems, it would have requested a credit report. But in this case, when it asked if either Mr or Mrs C had ever failed to keep up repayments on any loan agreement, they answered no. They also said that they had two loans and a business loan, with no other debt. In these circumstances, HBF didn't ask for a copy of their credit reports.

HBF said its mortgage recommendation was set out in a suitability report, which started by explaining that the advice given was based on the information Mr and Mrs C had disclosed, and asked them to get in touch immediately if anything in that report wasn't right. That report set out that Mr and Mrs C had no credit card debt at all.

HBF said when the lender it had approached said it wouldn't lend to Mr and Mrs C, HBF found out that Mrs C had almost £9,000 of credit card debt, of which almost £6,000 was in default. When HBF then spoke to Mrs C, she was aware of missed payments on a previous loan, and was making payments towards the default.

HBF didn't think Mr and Mrs C had been disadvantaged because no credit check was run at the start of their mortgage journey. The problems on Mrs C's credit file would have affected them regardless. And HBF said the stress of the mortgage decline and subsequent further application would have been avoided if Mr and Mrs C had provided accurate information before the first application was done.

Our investigator didn't think this complaint should be upheld. He said it wasn't part of HBF's standard process to carry out a credit check, and he didn't think HBF needed to ask Mr and Mrs C to provide an up to date credit report at the start of the application. Our investigator thought HBF was entitled to rely on the answers that Mr and Mrs C gave about their financial history. He said that given Mrs C's credit file, it was most likely that no high street lender would have offered a mortgage, even if the balance of the defaulted debt had been cleared earlier. When HBF became aware of the true picture, it found a suitable mortgage for Mr and Mrs C. Our investigator didn't think it had to do more now.

Mr C replied, and said he felt we'd ignored the fact that he and Mrs C always met the advisor as a couple or with just Mr C present. Mr C felt HBF ought to have asked Mrs C separately about her finances.

Our investigator didn't change his mind. He said he appreciated talking about debt and specifically debt management can cause embarrassment, but this was a joint application, so he didn't think HBF would need to interview Mrs C on her own. And he still thought Mr and Mrs C would not have been successful with an application to a high street lender, because of Mrs C's default.

Mr C said if the problem had been uncovered sooner, he would have had the chance to improve Mrs C's credit score. Mr C also said he felt HBF spent too long telling them how to manage their existing assets, and delayed in attempting to source the first mortgage for them. Mr C felt that was why they were so short of time when that application failed. He said he'd paid £1,500 for advice when HBF didn't do anything.

Because no agreement was reached, this case then came to me for a final decision.

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've reached the same overall conclusion on this complaint as our investigator.

Mr C said his first priority when he spoke to HBF was his mortgage. But the notes I've seen of his early meetings with HBF suggest he was considering making substantial payments to reduce the mortgage, from other assets they both held. The notes of these early meetings suggest Mr and Mrs C wanted to consider their financial position in the round, not just focus on their upcoming remortgage. So I don't think that HBF did anything wrong, when it looked at their financial position overall.

In late August, Mr and Mrs C completed a mortgage fact find with HBF. Mr C says that if HBF had run a credit check on them both at this point, or if it had taken Mrs C aside and

asked her individually about her finances, then the problem with her credit file could have been uncovered sooner.

I understand Mr C's concerns here, but it's not unusual for a mortgage broker to simply ask clients about their financial standing. And here, with this joint mortgage application, I don't think it was unreasonable or unfair for HBF to ask Mr and Mrs C jointly about their financial history. Importantly, I also don't think it was either unreasonable or unfair for HBF to then rely on the answers it was given.

We know the picture HBF was initially given of Mr and Mrs C's financial position turned out to be inaccurate in material respects. But I don't think HBF had any reason to suspect that, before their first mortgage application was declined. I think that's why HBF made a mortgage application which it then found out wasn't suitable for them, and which was declined when the lender ran a full credit check.

That then left Mr and Mrs C in the unenviable position of needing to source a different mortgage quickly, and with a non-standard lender. I can see that HBF carried out considerable research to find a mortgage for Mr and Mrs C, at the best possible rate in their circumstances.

I can also see that HBF had previously advised on the best use of the existing assets and investments that Mr and Mrs C held. I don't think it's fair to say that Mr C received nothing for the money he paid HBF.

I appreciate that Mr C says if this problem had been uncovered sooner, he may have been able to mitigate the position somewhat. But that mitigation could not have removed the default entirely. And, like our investigator, I think it was always unlikely that a high street lender would have made a mortgage offer to Mr and Mrs C, with this default on one of their credit files. And, most importantly for present purposes, I don't think the reason this issue wasn't uncovered sooner is because of any mistake HBF made. I think that, unfortunately, the problem simply wasn't uncovered sooner because Mrs C's responses to questions about her financial history were not accurate. I don't think it would be fair and reasonable, in the circumstances of this case, for me to hold HBF responsible for that, or indeed for the consequences that flow from it.

I know that Mr and Mrs C will be disappointed, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 26 March 2024.

Esther Absalom-Gough
Ombudsman