DRN-4322523

The complaint

Mr and Mrs S complain that delays by their mortgage broker, an appointed representative of TMG Direct Limited trading as TMG Mortgage Network, meant they missed out on a more favourable interest rate on their mortgage. They complain they'll be paying more interest over the next five years as a result.

What happened

Mr and Mrs S had a mortgage that was due to come to the end of a two year fixed rate on 31 December 2022. In order to arrange a new interest rate, they consulted TMG.

Following initial discussions in September 2022, TMG emailed Mr and Mrs S with various options. These included options for further borrowing, and extending the term from just under 15 years to 18 or 20 years, as well as two and five year fixed rates.

On 20 September, Mr and Mrs S decided to apply for a five year fixed rate, extending the term of the mortgage to 18 years and borrowing an additional £10,000. The application was to be made to their existing lender.

On 22 September TMG asked Mr and Mrs S for financial and identity documents to support their application, which Mr and Mrs S provided on 26 September. On 28 September the application was rejected by the lender on affordability grounds. Mr and Mrs S say this was because TMG didn't include full and accurate information about their income and expenditure on the application.

Mr and Mrs S therefore asked TMG to at least book an interest rate, even if without the further borrowing, to secure the rate in case interest rates increased in the meantime.

On 30 September, TMG told Mr and Mrs S it had secured a five year fixed rate at 4.79% without a term extension. Mr and Mrs S later decided to take a two year tracker rate instead, and the tracker rate was implemented on the expiry of their old rate on 31 December.

Mr and Mrs S complained. They said they had been advised that they would be able to take a five year fixed rate over an 18 year term, at an interest rate of 3.72% with monthly payments around £1,540. But they were offered a five year fixed rate over a 15 year term at 4.79% and monthly payments of almost £1,900 – which were not much lower on the tracker rate they eventually accepted. And their payments have increased in the meantime as the tracker rate has increased in line with changes in the Bank of England base rate.

Mr and Mrs S said that TMG hadn't complied with mortgage regulations. It hadn't given them proper illustrations of what rates might be available, or given them full information about the options so they could make an informed choice. They said it had delayed and made mistakes in their application and as a result they had missed out on the interest rate they had wanted and could have secured. Their mortgage will be considerably more expensive over the following five years as a result. Mr and Mrs S also say that TMG's representative informally offered them a £3,000 settlement of their complaint, and TMG itself offered to consider and settle their losses – but in the end its formal final response only offered £150 compensation. Mr and Mrs S said their losses were at least £13,000.

TMG accepted that it hadn't handled Mr and Mrs S's application as well as it could. But it said this was happening at an unprecedented time of demand in the mortgage market because of movements in interest rates. But it said that the 3.72% interest rate had been withdrawn by the lender, which was outside TMG's control – there was never any guarantee that rate could be secured and while it was available when TMG advised Mr and Mrs S, it had been withdrawn by the time the application was submitted. So it didn't think it was responsible for that rate not being applied to their mortgage. It offered £150 compensation for the upset caused by difficulties in dealing with their application at an exceptionally busy time.

Our investigator thought that was a fair offer. She thought that there had been issues in the service TMG provided to Mr and Mrs S, but she thought that there was no realistic prospect that Mr and Mrs S would ever have secured the 3.72% interest rate, so she didn't think that overall Mr and Mrs S had lost out by not securing that rate. Mr and Mrs S didn't agree and asked for an ombudsman to make a 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.

In considering this complaint, I think it's important to focus on what happened when in order to decide whether any failing on the part of TMG led to Mr and Mrs S missing out on the rate they had hoped to get – which, in combination with other measures such as a term extension, they hoped would keep their outgoings down.

Mr and Mrs S first contacted TMG in August 2022 and were offered an appointment on 31 August to discuss their options. That appointment became inconvenient for them on the day and it was re-arranged to the afternoon of Friday 9 September.

Following the meeting on 9 September, Mr S asked TMG to quote for several different options in an email on 14 September. These included re-mortgaging their current balance and borrowing £60,000 more, and doing so over terms of both 18 and 20 years, and with two and five year fixed rates.

TMG replied with indicative figures for the various options and on 20 September Mr and Mrs S decided on a five year fixed rate, over an 18 year term and with only £10,000 of additional borrowing.

On 22 September TMG asked for documentation to support the application – including identity documents, bank statements and proof of income. Mr and Mrs S provided this information on 26 September and TMG submitted the application.

At this time, interest rates were exceptionally volatile because of conditions in the wider economy. There had been several months of consecutive increases in the Bank of England base rate, most recently on 21 September. The government mini-budget, which led to further turmoil in the mortgage markets, was on 23 September.

As a result, the lender was regularly changing the rates it had available. It withdrew its existing rates and introduced new ones on 14, 20, 23, 29 September and 6 October, for example. The rate TMG recommended to Mr and Mrs S on 20 September was introduced on that day and withdrawn on 28 September, replaced with the higher rate they did get on 29 September.

Mr and Mrs S were clearly concerned to move as quickly as possible because they were concerned about rising interest rates.

Their application was submitted on 26 September and rejected on affordability grounds on 28 September. Although TMG said that the lender had found credit commitments not included on the application, the refusal was based on a drop in Mr S's dividend income from his self-employment.

I don't think it would have been possible for Mr and Mrs S to secure the interest rate they were advised about on 20 September before it was withdrawn on 28 September and replaced with the higher rate they did secure on 29 September.

Mr and Mrs S only decided that they wanted to go ahead, and decided how much extra borrowing to apply for, on 20 September. The application was only ready to submit on 26 September, once Mr and Mrs S provided the documents needed in support. It was rejected on 28 September, the same date the interest rate was withdrawn, so by then it was too late to prepare and submit a new application before the rate changed.

It could be argued that the gap between 20 and 26 September could have been shortened had TMG asked for full financial and supporting information following the initial discussion on 9 September – had it done so, the time taken to collate and provide it after 20 September wouldn't have been needed. And in turn the rejection might have happened sooner, leaving time to secure the rate switch by re-applying without the further borrowing.

However, I think this is an argument from hindsight. With the benefit of hindsight, knowing the particular deadline of 28 September to secure the rate, it's possible to see opportunities to shave some time off the application process. But there's no obligation on a broker to request full documentary evidence in support of an application at the initial stage on 9 September. I'd expect a broker to take information about their finances at this stage, but not necessarily to request full evidence. At this time Mr and Mrs S were considering options and hadn't decided what to do. Once they'd decided what to do, the information needed in support was then requested. So based on what TMG knew and was required to do based on what it knew at the time, and without the benefit of hindsight, I don't think it acted unreasonably by not requesting full supporting evidence until Mr and Mrs S had both decided to go ahead, and decided what specifically to apply for.

Mr and Mrs S have also said that TMG should have advised them to apply direct to the lender, because it wouldn't accept term extension applications from a broker. That may be true, but at the time Mr and Mrs S weren't applying for a term extension, they were applying for a re-mortgage with further borrowing over a longer term.

And if TMG had advised Mr and Mrs S to apply for the rate switch and term extension direct with the lender – rather than via TMG – leaving the further borrowing for later, I don't think this would have made any difference either. Going via a broker meant the application could be submitted online via the lender's broker portal and be considered immediately. Mr and Mrs S could have booked a rate switch alone online themselves, again booking it immediately. But that wasn't an option they were considering, because they also wanted a term extension to reduce their monthly payments and cushion against any new rate being higher than their previous fixed rate.

To secure a term extension direct from the lender, Mr and Mrs S would first have needed to have arranged an appointment with one of the lender's in-house mortgage advisers. I'm aware from other complaints that – in common with all lenders at this time – there was high demand and long waiting times for appointments. I think that even if TMG had advised Mr and Mrs S not to use its services and apply direct, it's very unlikely they would have secured an appointment, applied for the term extension and booked the rate before it was withdrawn on 28 September.

The reality is that this was a volatile time. There was high demand, and lenders were regularly withdrawing rates with no notice. While it would have been known that time was of the essence at the time Mr and Mrs S were making their application, it wouldn't have been known that the rate would be withdrawn on 28 September.

I do think that TMG didn't always communicate very well, and could have been clearer in some of what it said about the various options (though I don't agree with Mr S that it ought to have produced full mortgage illustrations for all the options on 20 September; the regulator's rules only require a full illustration to be produced once a particular rate has been recommended. And I don't think, based on what they said at the time, that Mr and Mrs S were struggling with the lack of information they've since pointed to.) And it didn't keep very good records. But equally I think it did act quickly, in the knowledge of what was going on in the mortgage market at the time. The overall time taken for this application was not excessive, and shorter than most.

TMG has offered £150 compensation, which I think is fair in all the circumstances. I recognise Mr and Mrs S are very unhappy with what's happened and the extra costs they'll have to face over the next few years. But ultimately I think that's because of bad luck and bad timing. While they had their hopes set on the rate and monthly payments quoted on 20 September, I think in reality it was always unlikely they'd be able to secure that rate and I don't think the failure to do so is because of errors TMG made.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 19 February 2024.

Simon Pugh
Ombudsman