

The complaint

Mr and Mrs B have complained that the mortgage they took out with Bluestone Mortgages Limited is on a higher rate than they originally applied for.

What happened

Mr and Mrs B instructed an independent mortgage broker to act on their behalf.

On 17 August 2022 an illustration was produced for Mr and Mrs B for a potential Bluestone mortgage application. That showed Mr and Mrs B were looking to borrow around £243,945 over a 16-year term on a repayment basis. The illustration said it was a fixed rate of 7.40% until 31 August 2024 and was 'fees-free'. That meant there was no arrangement fee or valuation fee.

The application was submitted by the broker on 26 August 2022 for a different product as the application stated there would be a £1,495 arrangement fee that would be added to the mortgage of £242,450 that Mr and Mrs B had applied for. As this wasn't a fees-free product a valuation fee would also need to be paid.

Bluestone requested some missing information from the broker over the next week or so, and after some back and forth Bluestone contacted the broker on 20 September to say the valuation fee was still outstanding. Mrs B paid that two days later, with the valuation instructed the same day the fee was paid.

The valuation report was received, and it was assessed on 27 September, at which point the application was put forward to the underwriter for final approval.

Unfortunately, by then the government's mini budget had taken place on 23 September, which led to volatility in the financial markets. And because of that, on 28 September, Bluestone withdrew its entire product range for any application that hadn't yet received a formal mortgage offer.

On 6 October the broker was told that all pre-offer applications were being reviewed by the underwriters on the basis of the products being changed to see if they still met Bluestone's lending criteria, and an underwriter would be in touch to discuss what that meant for Mr and Mrs B's application.

That conversation took place on 7 October, with the broker saying he would discuss matters with Mr and Mrs B and let Bluestone know how they wanted to proceed.

A mortgage offer was issued on 10 October for a loan amount of £242,450 plus a £1,495 arrangement fee, over a 16-year term on a repayment basis. The offer said the interest rate would be fixed at 9.25% until 31 October 2024.

The mortgage completed on 22 December 2022.

Mr and Mrs B complained to Bluestone in February 2023. They said they'd applied for a rate of 6.75% and the increase to 9.25% led to an increase of £357 in their monthly payments. They said they'd already paid significant funds to the builder to secure the new-build property and were committed to the purchase, and that they'd been caused significant distress and many sleepless nights. They said they either wanted Bluestone to honour the original interest rate, or for it to waive the early repayment charge ("ERC").

Bluestone didn't uphold the complaint. It said the way it was funded meant it could no longer offer mortgages on the rates that people had applied for. It said it hadn't delayed the application, and there were no grounds for it to waive the ERC. It said it couldn't be held accountable for Mr and Mrs B paying significant funds to secure the property, and it couldn't see that it had assured the broker that it would honour the original rate.

Mr and Mrs B referred their complaint to our service and it was looked at by one of our Investigators. He said Bluestone was entitled to review and change its interest rates in line with market conditions and, whilst he could understand Mr and Mrs B's frustrations, he didn't think Bluestone had acted unfairly.

Mr and Mrs B didn't agree and so it was passed to me to decide.

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'm conscious I've condensed the events of the complaint into rather less detail than the parties have presented them. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

I recognise that Mr and Mrs B feel very strongly about this, however I can only uphold this complaint and award compensation if I think Bluestone has done something wrong.

Whilst I can understand how upsetting this was for Mr and Mrs B; this was a case of unfortunate timing. Interest rates were already increasing throughout 2022 with inflation at a high level and the cost-of-living crisis biting. Bluestone had already been impacted throughout the year due to the way it is funded and up until the mini budget it had been absorbing the volatility and additional costs post-application. However, the mini budget caused such market volatility that it wasn't possible anymore, with Bluestone's announcement referring to mortgage applications becoming "sub-economic". So Bluestone made the decision to withdraw its products for all applications that hadn't received a binding mortgage offer so it could consider its pricing options.

In normal times it is unusual for this to happen, but it wasn't normal times and Bluestone said if it didn't take this action then its mortgage application pipeline was sub-economic. Bluestone withdrew the rates from its entire pre-offer pipeline, so it didn't treat Mr and Mrs B any differently from any of its other customers that were at a pre-offer stage. It is unfortunate that Bluestone needed to take this action, and that Mr and Mrs B were so close to offer, but I've not seen anything to show Bluestone did anything wrong in making that decision.

Whilst I've a great deal of sympathy for the position Mr and Mrs B found themselves in, I don't think Bluestone acted unreasonably and so I can't uphold this complaint (and therefore I can't award any compensation), however much Mr and Mrs B may want me to.

My final decision

I don't uphold this complaint.

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

Julia Meadows

Ombudsman