

The complaint

Mrs S complains that the mortgage application she made with Leeds Building Society was declined. She said a loan was approved for £62,750 and after asking for an extension to be made to the mortgage offer, she was told a new application had to be submitted – only to then have this declined on affordability.

What happened

Mrs S applied for a Right to Buy (RTB) mortgage with Leeds via her broker in November 2021. This application was to borrow an amount of £62,750 which was approved, and a mortgage offer was issued which was valid until 3 May 2022.

There were some delays which were encountered mainly due to the council having a backlog of RTB applications at the time. Mrs S' broker contacted Leeds to ask for an extension to the mortgage offer, but this was declined as the original broker who submitted the application was no longer working for the company. This application had to be submitted again by a new broker (with the same firm) and Leeds assessed it further.

This second application was declined on affordability and Mrs S couldn't understand why as she said that none of her information or details had changed from the first application – so she raised a complaint with Leeds.

Leeds confirmed that the application was declined on affordability, and they had contacted the broker to let them know. They said it was open for seven days so that it could be appealed if it needed to be, but after getting no response from the broker – they cancelled the application on 24 June 2022.

Mrs S brought her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator upheld the complaint and said that Leeds should pay Mrs S £300 for the inconvenience she was caused. He explained that it became evident that Leeds had assessed the first application incorrectly which meant that Mrs S could have considered her options sooner than she did.

Mrs S didn't agree with the investigator. She said that she was able to get a new mortgage from another lender which was for £37,000 so she had to get help from family members to make up the difference. She said Leeds had set the expectation that she could borrow £62,750 which wasn't the case, and this has caused delays. She also isn't happy that Leeds appears to be blaming the broker. She doesn't think that £300 is enough to compensate her for what has happened and is seeking a figure of £750 in order to resolve the complaint.

As Mrs S disagreed with the investigator, she asked for the complaint to be reviewed by an ombudsman, so it's been 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.

Having considered everything very carefully, I agree with the outcome that the investigator reached, and I'll explain why.

It's evident that Leeds made an error here as they assessed the first application made by Mrs S incorrectly and granted a mortgage offer of £62,750.

This only came to light when the second application was made. A different broker from the same firm asked for an extension to the mortgage offer due to the delays encountered by the council at the time, but as the name of the broker was different Leeds said they couldn't extend it. Their reason for this is they wanted to ensure that the same broker provided the right advice throughout to Mrs S – so they asked for the case to be re-submitted. There could be an argument here to say that this didn't need to happen which may of meant that the issue with affordability may not have been picked up – but this could have been a lot worse for Mrs S as she may have ended up with a mortgage that was deemed as unaffordable.

The second application was assessed by an underwriter who said that there was no available borrowing. There is an underwriting note that says the payslips were reviewed which varied each fortnight. So they capped the level of the income at the same level as the year to date (YTD) figure 2020-2021.

The note did say if there was a more up to date figure on the P60 they would be happy to use that figure. They said due to the income being verified lower than declared, they also capped the child related income as per their criteria.

The broker did then provide the P60 but the figures were the same, so the underwriter didn't change their decision. Leeds said the broker was emailed on 1 June 2022 and was told that the application was declined.

Having looked at Leeds' lending criteria at the time, it did state that they will usually consider other sources of income, where the combined value does not exceed 100% of a households primary income.

I've taken a look at Mrs S' mortgage application and she has stated that she is employed, and this would be classed as her primary source of income. She has significant benefit income which she obviously wanted Leeds to include in their calculations, but this income was twice the amount of her paid income – which is why it was capped by Leeds. I don't think this is unreasonable and I can't say that the application was assessed unfairly. The issue here is that Leeds made an error when they assessed the first application so had they of completed it correctly in the first instance, no mortgage offer would have been provided to Mrs S.

This issue should have been picked up by Leeds in the first instance and I do appreciate that it would have been upsetting for Mrs S when she was told the second time around that her application was declined. Because as far as she was concerned – there were no issues.

As I said earlier, had the extension not been required, it's possible that this may not have been picked up and Mrs S could have ended up with a mortgage that was unaffordable for her – which may have put her in a worse position in the future. And if it was picked up, Leeds would have been entitled to withdraw their mortgage offer at any point prior to exchange of contracts taking place.

I understand that Mrs S doesn't feel that £300 fairly compensates her and she is seeking for more than this, but after considering everything carefully, I think £300 is fair and reasonable in the circumstances of this complaint.

The delays at the start were due to the council being inundated with RTB applications and while I appreciate that Mrs S may have been able to source a mortgage with another lender sooner, it's now evident that she was not able to get the amount she initially wanted. She's confirmed that she has since managed to get a mortgage with another lender but for a much

smaller amount. I think for the loss of expectation on what she thought was going to happen, and the stress that she has been caused – I think this amount is fair.

My final decision

For the reasons given above, I uphold this complaint and direct Leeds Building Society to pay Mrs S £300 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 18 March 2024.

Maria Drury
Ombudsman