

The complaint

P, a limited company, complains about the way Shawbrook Bank Limited dealt with its application for a buy to let mortgage. One of P's directors, who I'll refer to as Mr N, has represented P in bringing the complaint.

What happened

P's broker submitted an application on behalf of P at the end of July 2022. Mr N says the broker had previously checked with Shawbrook's business development manager (BDM) that the property – serviced apartments of a non-standard size – met Shawbrook's lending criteria.

Shawbrook declined the application in October 2022. It said the property didn't meet its lending criteria.

Mr N says P incurred costs of almost £11,000, including £3,000 for the valuation, £6,000 for a professional consultant's certificate, and £1,700 legal costs. Mr N says these costs could have been avoided if Shawbrook had reviewed the application in a timely manner and said at the outset the property didn't meet its criteria. In addition, interest rates increased during the delay and P missed out on applying elsewhere before rates increased.

Shawbrook said it followed its usual process in reviewing the application after the valuation. It said it had no record of the broker telling it that the property was serviced apartments before the application was submitted. It said it had taken longer than usual to review the application and offered £75 compensation.

Our investigator said Shawbrook should pay £150 compensation in total (which included the £75 it had already paid) for delays in reviewing the application after receiving the valuation and supporting documents. Shawbrook agreed.

Mr N didn't agree. He summarised what the broker said he'd discussed with Shawbrook before the application was submitted. He said Shawbrook should at least refund the cost of the valuation.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Shawbrook said the property didn't meet its lending criteria because it was used as multi-unit serviced apartments. Shawbrook provided its buy to let lending criteria in place at the time to support this.

Shawbrook says its process is to issue an indicative mortgage offer with the outline terms on

which it will lend. It does this on the basis of information provided in an application in principle. The application in principle submitted by the broker said the property was a freehold block of flats with more than 10 units. The broker said there wasn't an option to say they were serviced apartments. This was however stated in the mortgage application.

Shawbrook says it conducts an initial underwriting review after receiving the valuation report and supporting documents. So the application form submitted on P's behalf wouldn't be reviewed before this. As this is Shawbrook's usual process, I don't think it made an error when it asked P to provide documentation and pay for a valuation before reviewing the application.

The valuation report was issued in early September 2022. Shawbrook says it had a high number of applications and took longer to review the application than usual (33 days rather than 25) after receiving the valuation and supporting documents. This and some poor customer service would have caused inconvenience for P's officers. Shawbrook agreed to pay £150 compensation for this, which I think is fair and reasonable in the circumstances.

The remaining issue is whether Shawbrook gave incorrect information to P (or its broker) before the application such that it would be fair to require it to refund some or all of P's costs.

Shawbrook says the broker would have had access to the intermediary's guide to its buy to let lending criteria. I've seen the guide and this says multi-unit blocks of serviced apartments are not allowed.

Shawbrook has two sets of criteria – one for buy to lets and one for commercial lending. The broker says the BDM told him the application would be assessed on the commercial investment lending criteria. This was because some flats were less than 30 square metres which meant only the investment block value could be used. The broker says he checked Shawbrook's commercial lending criteria and this didn't say serviced accommodation was outside criteria. Shawbrook's criteria for commercial mortgages sets out a range of properties and uses and the basis on which they are or are not acceptable as security. Serviced accommodation isn't specifically mentioned.

Shawbrook said while buy to lets are a type of commercial mortgage, the broker applied for a buy to let product and so was reasonably aware that the buy to let criteria would apply.

Shawbrook says it has no record of a call between the broker and its BDM discussing the type of property prior to the application being submitted. It says the broker didn't provide times and dates of the calls so it can't search for them. We also asked for times and dates, but the broker only said the calls took place in June 2022 and July 2022 and were made direct to the BDM's mobile phones. It's unfortunate the broker can't provide more detail so that Shawbrook can search for these calls, especially as P's complaint relies significantly on Shawbrook's BDM having given the broker incorrect information during these calls.

Shawbrook says there's a referral process for brokers to use when submitting the application in principle. It says the broker did a referral which mentioned that one or more of the properties was smaller than acceptable. The referral didn't mention that the property was used as serviced apartments and the BDM couldn't find correspondence that said this. Shawbrook provided its application notes to support this.

I understand Mr N's frustration that P missed out on the opportunity to apply for a mortgage elsewhere before interest rates increased. And it could have avoided paying for a valuation and other costs and inconvenience related to the application. But for it to be fair and reasonable for me to require Shawbrook to refund the valuation fee or pay compensation, I'd need to find that it made an error, and it was that error that led to P's loss.

Shawbrook's process is to review applications with the valuation and supporting documents. I can't fairly find it made an error when it didn't review P's application before the valuation. And I can't fairly find it made an error when it declined the application on the basis it didn't meet its criteria. Shawbrook made P aware that the indicative mortgage offer wasn't an offer to lend and the application might be declined.

The broker says the application was submitted after he was given incorrect information by Shawbrook's BDM. Shawbrook has no record of this and the broker didn't provide evidence to support what he says or the details Shawbrook would need to search for the calls. I don't think I can fairly find, based on the available evidence, that Shawbrook gave the broker incorrect information that the property was acceptable security.

In the circumstances, I don't think it's fair and reasonable to require Shawbrook to refund the valuation fee or other costs, or pay further compensation above the £150 it agreed to pay.

My final decision

My decision is that Shawbrook Bank Limited should pay £150 to P (in total). It can deduct any compensation already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 20 March 2024.

Ruth Stevenson
Ombudsman