DRN-4808644

The complaint

Mr and Mrs A complain that Clydesdale Bank Plc trading as Virgin Money wouldn't allow them to port their mortgage product to a new property because of affordability when it had earlier indicated that a mortgage on the new property was affordable.

What happened

Mr A had a mortgage with Virgin Money and took out a new mortgage product in 2020. This was a fixed rate product that could be ported to a new mortgage on a new property but subject to Virgin Money's lending criteria at the time of application. Mr A says that in 2022 he was told by Virgin Money that he could port the mortgage and access further borrowing up to a total of £509,000.00. But when they found a property and then looked at borrowing they were told the most that could be offered was £295,780.00, not even the balance on their existing mortgage which made no sense to them as their incomes had never been better. Mr and Mrs A then sourced a mortgage with another lender but had to pay an early repayment charge ("ERC") and a higher interest rate.

Our investigator didn't recommend that this complaint should be upheld. She noted that in 2022 Mr A had simply used an eligibility checker online but hadn't then got a Decision in Principle ("DIP"). She also said that she didn't consider that Virgin Money's decision to lend a lower sum than Mr and Mrs A wanted was unfair. Mr and Mrs A disagreed and asked for a review.

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.

Mr and Mrs A applied thorough a broker to port a mortgage product and for additional borrowing. Although Mr A refers to the application being on a like for like basis that was not the case as the application required additional borrowing. Mr and Mrs A hoped to buy a property for £810,000.00 and were looking to borrow from Virgin Money £395,000.00. The current balance was £340,338.00 and so the additional loan was for £54,662.00. Mr and Mrs A were hopeful the application would be successful as they were porting part of the mortgage and Mr A had already used an online eligibility checker that told him that he could borrow more than this amount.

But as there was additional borrowing the application would have to go through an affordability assessment to see if the higher borrowing was affordable, according to Virgin Money's lending criteria. From looking at the file, I can see that Virgin Money made an error which it then rapidly corrected when it inputted a credit card balance incorrectly, but the lender was then able to issue a mortgage illustration for £365,000.00. But that was reliant on information provided by the borrower and Virgin Money went through a process of checking that information. I then see that various checks were done in relation to P60s, tax overviews, contracts, bank statements and other relevant documentation and a further evaluation of affordability following that. That process concluded on 21 August with Virgin Money saying that the maximum amount it would lend would now be £295,780.00.

There is a note that this lower figure was affected by an analysis of a bank statement showing an undeclared monthly payment to a named child nursery of £684.57 and the expenditure for insurance being higher than declared. I see Mr A now says that the nursery fee isn't correct and that they were in truth approximately £400. It Mr and Mrs A thought the figure was wrong I would have thought that they could have then raised it with Virgin Money at the time. I've seen no evidence of that and note that Mr and Mrs A don't refer to there being a mistake with the nursery fee in their complaint form although they're aware that the nursery fee contributed to the lowering of the loan amount.

I have to consider whether Virgin Money did anything wrong. This was not simply a case of Mr and Mrs A looking to transfer the same balance as they already had with the lender. They were borrowing more and indeed I note that they eventually borrowed £440,000.00 with a different lender. When applying to Virgin Money, they were intending porting the mortgage product which would have affected part of the borrowing. But the terms of Mr A's existing product say:

"If *you do make an application to transfer this product to a new property, we will assess your financial circumstances and we will carry out a valuation of the new property. Both you and the new property must meet our lending requirements that are in place at the time you make the application*. "

Virgin Money is entitled to assess affordability on this larger borrowing according to its lending criteria and if the application doesn't meet that I can't reasonably say that Virgin Money acted unfairly. It seems to have done what we would expect it to and analyse the applicants' income and expenditure within its lending criteria to come to an assessment of what Mr and Mrs A could afford to repay.

I see that the point is made that at that time, its affordability assessment may have been stricter than other lenders. But, even if it was, it's not our role to advise lenders on what their lending criteria is as long as it's fairly applied and that seems to be the case here. So, I can't fairly uphold this complaint.

My final decision

My decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 29 July 2024.

Gerard McManus
Ombudsman