

## The complaint

Mr C and Miss J complain about how Bank of Scotland plc trading as Halifax managed their application for a mortgage under its “Family Boost” scheme.

## What happened

Halifax operates a “*Family Boost*” scheme whereby a relative or relatives can assist a family member with a house purchase by putting 10% of the property purchase price into a savings account. Mr C and Miss J got an Agreement in Principle in March 2023 (“AIP”) after a discussion with a Halifax mortgage adviser and were told they may be eligible for the scheme and an AIP issued for a mortgage of £233,550.00. On 5 May 2023, Mr C and Miss J made an offer on a property and proceeded with their application. I understand they also handed in their notice to their employers and landlords with the expectation to move to their new property.

At that stage they were told they didn’t meet the criteria for the scheme. They failed it because of their credit score. Mr C and Miss J discovered that Halifax had conducted a hard credit search in March and believe this must have impacted their application. Halifax agreed to remove this search, but Halifax’s underwriters still failed the application.

Halifax agreed that it had made full (or hard) credit searches in March and again when the underwriters reviewed the case in May, and these shouldn’t have been done. It apologised for doing so and paid Mr C and Miss J £200 and agreed to remove them. It says that after the full application was submitted that the credit scoring on the account dropped. It then requested the credit search of March 2023 to be removed so as the application could be reviewed by an underwriter. The application was referred to two underwriters who expressed concerns and considered that the lower credit score which had led to the failure was genuine which I understand to mean that the lower credit score reflected issues in the management of the proposed borrowers accounts that led to the failure.

### *Our investigator’s view*

Our investigator’s view was that the compensation of £200 was fair for the errors made by Halifax. Mr C and Miss J disagreed saying in summary that their complaint wasn’t only about getting the mortgage but the way the situation was handled with the hard searches being done and needing to continually ask Halifax to remove them.

### *My provisional findings*

As my view of this complaint differed from that of our investigator I issued a Provisional Decision as follows:

*“I’ve read how all this has affected Mr C and Miss J and I note in particular their concern with how actions by Halifax may affect other people like themselves who make a similar application to Halifax. My role is to decide whether Halifax processed their application fairly.*

*Mr C and Miss J hoped to get a mortgage under Halifax’s “Family Boost” scheme which*

*involved them in getting help from their family. They got an AIP, found a property, and made a mortgage application. That application was unsuccessful. Mr C and Miss J complain about this result and the process. The full application was done on 11 May. It became clear shortly afterwards that there was a problem with the application failing the credit score and I note that the Halifax mortgage adviser noted that a full credit search was done in March – I presume after being told by Mr C and Miss J - and requested it be removed. I see that other information about their income was being gathered to review the credit score. That was done on 18 May with a referral to an underwriter and was unsuccessful. The appeal was then escalated with support from the adviser but on 25 May the case remained declined. So, there was a drop in the credit score between the AIP and full application. But I see that Mr C and Miss J's credit files were reviewed and unfortunately the underwriters were of the view that the lower credit score was valid given their review of Mr C and Miss J's credit files.*

*Having read this file, I'm sympathetic to Mr C and Miss J's position and how disappointing it must be for them, having got family support, that their application didn't work out. But as the application seems to have been fully reviewed I can't fairly ask Halifax to reverse its decision. The application on appeal was failed by an underwriter. Halifax engages underwriters to assess risk. We expect them to act fairly and from the information on the file viewed by me they appear to have given this application a fair assessment.*

*The other issue is that of the hard searches done by Halifax which Mr C and Miss J believe may have affected their application. Halifax accepts that they shouldn't have been done because they were inappropriate to the stage that the application was at.*

*As I'm not of the view that Halifax unfairly refused Mr C and Miss J's application, I won't be upholding that part of the complaint or awarding them compensation for the consequences of that. Halifax accepted that the hard searches done in March and May should not have been done. I also note that in respect of the request to remove the second hard search, there seems to have been a delay and required further intervention from Mr C and Miss J to have it removed. It looks like Halifax had assumed it was removed when it hadn't, and the second hard search wasn't removed until later in August.*

*In June 2023, Halifax offered compensation of £200 to Mr C and Miss J for this procedural error, confirming that the hard searches shouldn't have been done at the stage they were done and that they be removed. As I say above I don't accept that these searches were responsible for the failure of the application. But Mr C and Miss J were distressed that they had been done and should be compensated for the annoyance of that. I noted that following the commitment to remove the searches in June, the May search wasn't immediately removed. I see that Mr C and Miss J followed this up several times in June and again in July. On 21 July there is a note on Halifax's file that the customer had checked their credit file that morning and the hard search was still affecting it. Halifax has also sent us an email dated 15 August 2023 to two of the credit reference agencies they use asking them to remove the search carried out in error on 25 May 2023 and those agencies confirm later in August that it's been removed.*

*My assumption is that there was some mix-up in Halifax and although it believed that it had asked those credit reference agencies to remove the search it hadn't done this until August. It's clear that during this period from June to August that Mr C and Miss J were anxiously checking their credit files to see if the hard search were removed and would be naturally disappointed and distressed about the time it took to remove it. I believe that this would have occasioned additional distress to Mr C and Miss J, and I believe that Halifax should pay additional compensation of £150 to the £200 already offered. So, I intend increasing the amount of compensation offered to Mr C and Miss J to £350 but I will consider any further submissions made by Mr C and Miss J or by Halifax by the date referred to above before doing so."*

I invited further submissions from Mr C and Miss J and from Halifax. Halifax agreed that it would pay the additional redress and had nothing further to add. Mr C and Miss J disagreed, and I've set out their further submission below.

### **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.

Whilst Halifax agreed with my Provisions Decision, Mr C and Miss J disagreed saying in summary:

- The Agreement in Principle ("AIP") they got, and the wording of the Mortgage Promise meant that no red flags were raised to them about their eligibility for a mortgage which had profound consequences for them including professional and residential arrangements.
- The unauthorised hard searches had a tangible impact on their credit score and the compensation offered doesn't address the broader implications and distress caused by the mishandling of their application.
- The hard search lowered their credit scores below the average rendering them ineligible for various contracts impacting various aspects of their daily lives.
- The hard searches are a breach of the Consumer Credit Act 2006. Offering the mortgage under these circumstances could be considered irresponsible lending practices.
- The hard search and reluctance to remove rendered them unmortgageable which led to them pulling out of the purchase.
- They would like further compensation of £1200 based on the amount of extra travel involved and the cost of extending their lease.

Mr C and Miss J have referred me to the Mortgage Promise which they say meant that no red flags about eligibility were raised for them when they went looking for a property to buy. I agree that the AIP and the Mortgage Promise would have given them some confidence in their house search that they would get a mortgage. But this isn't a mortgage offer and I note that it states that all applications will be credit scored and it's the downgrading of that which caused the mortgage decline. As I say in my Provisional Decision the underwriters looked in detail at the management of the applicants' accounts, downgraded the credit score that had applied when the Mortgage Promise issued and confirmed the scoring was genuine without the impact of the hard search.

Mr C and Miss J make other points in relation to the impact of the hard searches which they say I haven't considered. They say the hard searches rendered them ineligible for various credit agreements and unmortgageable. I've no evidence that they applied for any further lending during this time and were refused because of the hard searches impact on the credit files. In any case if Halifax's underwriters considered the downgraded credit score to be genuine because of the management of the applicants' accounts would that not likely be the case with other lenders so it would be impossible to say that any such refusal was the result of a hard search? I should also say that this residential mortgage isn't regulated by the Consumer Credit Act. I've considered Mr C and Miss J's further submissions in detail and

reviewed the evidence, but I remain of the view that my Provisional Decision represents a fair outcome to this complaint.

### **Putting things right**

Bank of Scotland plc trading as Halifax should pay Mr C and Miss J £350.

### **My final decision**

I uphold this complaint and require Bank of Scotland plc trading as Halifax to pay Mr C and Miss J £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss J to accept or reject my decision before 26 July 2024.

Gerard McManus  
**Ombudsman**