

The complaint

N, a limited company, complains about costs and delays when it re-mortgaged a commercial property with Allica Bank Limited. N is represented by one of its directors, who I'll refer to as Mr W.

What happened

N applied to Allica via a broker for a secured commercial loan in April 2023. Allica issued an offer letter in April 2023. It issued further offer letters and extended the time to complete. Completion was subject to conditions set out in the offer. The loan completed in September 2023.

Mr W complains about the time taken to complete the loan and the costs involved. He says:

- Allica required N to take out insurance with a member of the Association of British Insurers (ABI). This cost more than insurance with its existing provider, which Mr W says was better and provided by a subsidiary of a member of the ABI.
- The costs involved with the re-financing were excessive. This includes the valuation fee, arrangement fee and brokers fees, legal costs and the cost of a second valuation, as well as legal fees for changes to the property lease.
- Allica and its solicitors caused delays with completion. N incurred costs related to its previous loan.

Our investigator didn't uphold the complaint. He said in summary that N's directors were made aware of the fees and costs and the requirement regarding the insurance and chose to go ahead. He said Allica and its solicitors hadn't caused unnecessary delays and Allica hadn't required a second valuation.

Mr W, on behalf of N, disagreed and asked that an ombudsman re-consider the matter.

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.

Insurance: Like all lenders, Allica is entitled to make a commercial decision about its lending criteria. One of its criteria is that the security property is insured with a member of the ABI. Allica says this requirement is set out in the legal pack sent to N's solicitors on 5 May 2023. It provided a copy which supports this. It made N aware – via its solicitors – of the requirement.

Mr W says Allica is entitled to change this requirement. That's correct. Allica can change its lending criteria from time to time. That's a commercial decision to Allica to take.

I can't see that the circumstances here would make it fair and reasonable for me to require Allica to waive this requirement or to pay compensation for N's insurance costs.

Valuation: Allica instructed a valuation of the property, to help it make a lending decision. I don't find that unusual or unreasonable. The requirement for a valuation was set out in the mortgage offers, including the one sent in April 2023. Fee quotes were sent to N's broker in April 2023. So N's directors were made aware of the need for a valuation and the cost. I don't think it's reasonable to say that Allica should have relied on the value of the property as stated in an insurance contract. I don't think it's fair and reasonable to require Allica to refund the valuation fee.

Mr W provided a copy of an insurance valuation report dated 15 June 2023 (assessing the cost of re-instating the property). The report is addressed to N. Allica said it didn't instruct a second valuation, and I haven't seen evidence that it did. Mr W said the report was part of the interchange of communications and they were required to do it. He didn't provide evidence that Allica instructed or required the report. In the circumstances, I can't fairly require Allica to compensate N for the cost of this.

Arrangement fee and brokers commission: The mortgage offers – including the offer issued in April 2023 – set out the arrangement fee and the commission payment to the broker. N's directors were aware of these fees and it was for them to decide whether to proceed. I don't think it's fair and reasonable to require Allica to refund any of these fees.

Legal costs: The mortgage offer (including the one issued in April 2023) said N would be responsible for Allica's legal costs. This was the basis on which N's directors decided to proceed. Allica says the initial estimate from its solicitors was £1,450, but otherwise fees are discussed directly with the borrower or via their solicitors. The completion statement says both firms of solicitors charged about £2,000. If Mr W believes this is incorrect he should raise this with the solicitors. I don't think it's fair to require Allica to cover these costs.

Lease agreement: The mortgage offer issued in April 2023 (and later offers) said Allica's solicitors would need to be satisfied with the lease. The property valuation carried out in May 2023 valued the property on the basis a new five-year lease would be put in place.

Mr W says N's solicitors charged fees of £1,200 for the changes to the lease. I think that's a matter for Mr W to discuss with the solicitors. I don't think it was unfair or unreasonable for Allica to require a satisfactory lease to be in place, and I think it made N's directors aware of this.

Overall costs: Mr W says the overall costs were high for a 25-year loan. He says they had no choice but to continue as they needed a loan that would allow them to upgrade the property.

Allica was entitled to make a commercial decision about the basis on which it was prepared to offer a loan. By early May 2023 it had made N's directors aware of the costs – the requirement for the insurance to be with a member of the ABI, the fees and costs, the new lease and that it was responsible for its own and Allica's legal fees. It was for N's directors to decide whether to accept these terms or to look for an alternative source of finance.

Overall time to completion: Allica received N's application in April 2023. The loan completed in September 2023. Allica didn't have to agree to complete the loan and provide funds until all the conditions precedent had been met. I don't think the conditions were met until early September 2023.

For instance, Allica says its solicitors were waiting for documents from N's solicitors in early September 2023, including documents related to the lease and insurance. It provided copies of correspondence between the solicitors in early September 2023 about provision of a suitable insurance policy with a member of the ABI. The correspondence suggests N's directors were still querying in early September 2023 if this was necessary or whether Allica would accept insurance with another insurer. Allica had made N's solicitors aware of this requirement in May 2023. I don't think Allica was responsible for the time taken by N to put this in place.

Based on the available evidence, I can't see that there were any delays in Allica or its solicitors requesting documents or information or responding to N and its solicitors. I don't think Allica or its solicitors were responsible for any unnecessary delays with the loan completing – or any costs that resulted from this.

I don't think Allica made errors, caused delays or treated N unfairly. It follows that I don't uphold this complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 19 December 2024.

Ruth Stevenson
Ombudsman