

## The complaint

Mr R's complaint is about a buy-to-let mortgage application with Godiva Mortgages Limited. He is unhappy that shortly before exchange of contracts on his property purchase, the mortgage offer was withdrawn because he had taken out an unsecured loan after accepting the mortgage offer. Mr R thinks this was wrong, as he was in a secure financial position at the time.

## What happened

In the spring of 2023 Mr R decided to purchase a property to rent out. In order to do so, he re-mortgaged two existing rental properties he owned to release equity, which he would then use to facilitate the purchase of the additional rental property. Mr R then applied for a mortgage in April 2023, via an independent mortgage broker, with Godiva for the purchase of the new property. In the application Mr R told Godiva that the £31,850 deposit for the purchase was being paid from equity.

The application was accepted and a mortgage offer was issued on 18 April 2023. Subsequently, Mr R's solicitors informed Godiva that almost £6,000 of the deposit was being gifted to him by a relative, and that a further £6,000 of the deposit was being borrowed in the form of a personal loan.

On 24 July 2024 Godiva confirmed to Mr R's solicitors that the offer of advance was not affected. It said that it was not aware of the gifted deposit but confirmed that it was acceptable if further checks and documentation was provided. If the requirements were complied with, Godiva confirmed the advance could proceed. This caused a reconfirmation of the mortgage offer, which was posted the following day. Godiva went back to Mr R's solicitors on 25 July 2023 to tell it that borrowing funds for the deposit was outside of its policy, and so it was withdrawing the mortgage offer.

Mr R's broker subsequently informed Godiva that the loan had not been taken out to pay part of the deposit, rather it was taken to cover solicitors' fees and the stamp duty associated with the purchase. Mr R appealed the decision, but Godiva didn't change its mind. Mr R withdrew from the property purchase.

Mr R complained about the decision that had been made. Godiva responded to the complaint in a letter of 16 May 2024. It summarised what had happened and confirmed that as a low risk, responsible lender, a borrower using a loan toward the deposit was outside of its policy. It confirmed that it had not been happy to proceed with the mortgage and that remained its position. However, as Godiva had initially told Mr R's solicitors that the mortgage could proceed, it paid him £75 compensation for any distress or inconvenience its error had caused.

Mr R was not satisfied with the response and referred the complaint to us. He told us that he always intended to take out an unsecured loan to pay the stamp duty and legal fees, and his broker knew that. He also told us that although the mortgage offer was withdrawn before exchange, he had already incurred fees to his solicitors and broker in relation to the new purchase, and the costs of re-mortgaging his other rental properties.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld. Mr R didn't accept the Investigator's opinion. He said that it was not his fault that the information about the loan was not given to Godiva, as his broker knew about the arrangement. He also said that Godiva were difficult to deal with throughout, unlike previous lenders he'd dealt with, and he was not told that he could not borrow to cover the cost of the legal fees and stamp duty. Mr R reiterated that he didn't think that the amount of the personal loan was significant in financial terms.

The Investigator confirmed to Mr R that Godiva was not responsible for the actions of the broker Mr R used to arrange the mortgage, and that he'd looked solely at the actions of Godiva when considering the complaint. As Mr R's further comments didn't change the Investigator's conclusions, Mr R asked that the complaint be passed to an Ombudsman for 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.

A lender is entitled to decide what types of risk it is willing to take when it lends, and that is not something this Service would normally look to interfere with. A lender's risk assessments will take account of things like what types of property it will lend on, the loan-to-value it will allow and the source of funds to support the application. Some lenders are more cautious than others and this is reflected in the applications they will accept. Godiva considers itself to be a cautious lender.

The mortgage offer that Mr R accepted set out that if Godiva became aware of any new information about the application, which would have meant it would not have made the offer in the first place, it could withdraw the offer. I am satisfied, based on the application form, Godiva was not aware that Mr R was intending to take out further borrowing and that the money was needed to enable him to be able to afford to buy the property he wanted.

No matter the use of the money, lenders will take into consideration any additional borrowing in place when considering the affordability of a mortgage. It will also consider the overall circumstances of the borrower when deciding whether to lend. I know that Mr R does not consider the additional borrowing he took has any real affect on the financial viability of the mortgage, but whether to lend is a decision for Godiva to make based on its appetite for risk and lending criteria.

Godiva has provided evidence that its lending criteria does not allow money that must be repaid to be used as a deposit. It has also confirmed that had it known there were affordability issues with the purchase – that Mr R needed to borrow further money to be able to afford to buy the property - it would have had concerns about the affordability of the mortgage and Mr R's ability to deal with any voids in the rental income. As I have said above, a lender is entitled to decide what risks it is willing to accept and when it was given further details about Mr R's circumstances, it decided the mortgage he had applied for was not a risk it was willing to accept. I can't find that it was wrong to make that decision or that it was wrong to then withdraw the mortgage offer.

I note that Mr R has said he has suffered a loss as he's already paid broker and legal costs. That may be the case, but as I haven't found that Godiva did anything wrong, I can't find it liable for those losses.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr R to accept or reject my decision before 13 January 2025.

Derry Baxter  
**Ombudsman**