Case study: Non-Banking Money Service/Credit

MORTGAGE PROVIDER REJECTS PORT REQUEST CAUSING COMPLAINANT UNNECESSARY FEES AND DISTRESS

Themes: Porting; terms and conditions; arrangement fee

This complaint related to the refusal of a mortgage provider to port an existing mortgage, resulting in additional costs for the complainant to arrange an alternative loan.

In May 2020, Mr G asked his mortgage provider if he could repay part of his existing mortgage and then resume it on the same terms secured against a different property, known as 'porting', because they had sold their existing property and wished to purchase a smaller property. Mr G wanted to repay £250,000 of his mortgage but was told by his mortgage provider that this was not possible as the new loan term would be less than five years, the minimum term for a mortgage that the mortgage provider offered.

However, Mr G's mortgage had been taken out in July 2005 for a period of 20 years. This meant that the new loan term should have been just over 5 years, above the stated minimum period required by his mortgage provider. As such, Mr G made a complaint to his mortgage provider who said that Mr G's request did not meet their criteria at the time of his inquiry and rejected his complaint.

Mr G therefore arranged a mortgage with an alternative mortgage provider. Mr G felt that his previous mortgage provider should be liable to cover the new mortgage provider's arrangement fee of £2,000, along with the additional interest for the five-year period totalling £36,000. Mr G's original mortgage provider again rejected Mr G's appeal and referred Mr G to CIFO.

CIFO investigated and found that Mr G's original mortgage provider's terms and conditions did allow for porting. The terms and conditions also stated that, although the mortgage provider had stopped making new mortgages available in Mr G's jurisdiction, any existing mortgages may be ported for a new property of a lower loan amount. With this information CIFO concluded that Mr G's terms and conditions entitled Mr G to port his mortgage. However, CIFO noted that Mr G met with difficulties when the property he wished to purchase was withdrawn from sale even though Mr G had already arranged a new mortgage from an alternative mortgage provider.

CIFO considered that the withdrawal from sale of the property Mr G wished to purchase was not the fault of the mortgage provider. Compensation for potential additional interest over the five-year period was therefore not appropriate. CIFO partially upheld the complaint, recommending that Mr G's original mortgage provider cover the new mortgage provider's arrangement fee of £2,000 along with an additional £500 as compensation for the distress and inconvenience caused.