



Case Study 2025

Incorrect mortgage advice

What happened

A couple sought mortgage advice while buying a new home. They were given several options and decided to move to a new lender, which meant ending their current fixed-rate mortgage early.

The mortgage adviser explained that an Early Redemption Charge (ERC) would apply. The figure discussed was based on publicly available information rather than their specific mortgage terms. The couple considered the amount affordable and trusted that the information they had been given was factually correct.

Three days before completion, the couple were told by their current lender the ERC was considerably higher.

The couple felt they had no choice but to go ahead and they paid the higher ERC. Because of the incorrect information given to them, they looked to the mortgage adviser for reimbursement of the ERC.

What we considered

- whether the ERC increase was a financial loss caused by an error of the mortgage adviser
- whether the couple reasonably believed they had no other choice but to proceed with the new mortgage and incur the higher ERC
- whether it was fair and reasonable to require the mortgage adviser to reimburse the full cost of the ERC as settlement of the couple's claim

What we found

- the ERC was not a financial loss – it was payable based on the terms of the existing mortgage
- although inconvenient, the couple did have a choice not to proceed with the mortgage change
- the mortgage adviser had already provided compensation for the procedural error in communicating the ERC, which was considered to be fair and reasonable

COMPLAINT UPHELD – but CIFO noted the mortgage advisor had already provided compensation that was fair and reasonable in these circumstances

Key learning

The complaint was upheld because the mortgage advisor made a procedural error when communicating the ECR, causing confusion and distress for the couple. The advisor's mistake was addressed, and reasonable compensation was offered. However, the couple also had a responsibility to verify the ECR with their current provider before proceeding. Customers should carefully review their documents to understand the specific terms that apply to their mortgage.