

# Estate agents force buyers to use costly in-house mortgage deals

**Purchasers are losing thousands as agents use a hard sell to chase commissions**



James Charles

Estate agents are boosting profits by strong-arming potential buyers into using in-house mortgage services, leaving customers thousands of pounds worse off, an investigation by *Times Money* has discovered.

Evidence has emerged that buyers are being pressured into taking additional services that earn agency staff commission payments. In one case, an agent from Barnard Marcus, part of the Connells estate agency group, which is part-owned by Skipton Building Society, told a buyer that her offer on a three-bedroom house in South London would be accepted only if she arranged her home loan through the in-house mortgage service.

It is illegal for estate agents to block buyers who will not take a mortgage or other services. However, a series of reports published in the past fortnight by the Office of Fair Trading (OFT) suggests that this is not a one-off case.

A consumer survey prepared for the OFT by GfK NOP Social Research found that one homebuyer in 20 who had taken a mortgage from an estate agent had been told he or she had to do so to secure the purchase. The findings didn't record the number of buyers who had walked away when faced with such a choice.

Falling for an agent's sales pitch can cost buyers thousands of pounds in mortgage repayments. Agents typically source mortgages from a "panel" of a handful of lenders, so borrowers are unlikely to get the best deal available. Connells, one of the largest chains, acts as a broker using only 15 lenders. A borrower requiring a £150,000 loan worth up to 75 per cent of a property's value could obtain a five-year fixed broker-only deal from Accord Mortgages, at 5.39 per cent. The fee is £1,090. But the most competitive deal currently available directly is from Newcastle Building Society, at 4.99 per cent, with a £999 fee, according to Moneyfacts.co.uk, the financial website.

Over five years, buyers would spend an extra £2,243 with the loan arranged through a broker, such as Connells.

Consumer Direct, the consumer advice service, received 3,565 complaints about estate agents between January and October this year, a 10 per cent increase on the same period last year. More than one third referred to substandard services, while 22 per cent concerned misleading claims.

The Property Ombudsman, which adjudicates on disputes between customers and agents, has also seen a rise in complaints in recent weeks.

Aaron Strutt, of Trinity Financial Group, an independent mortgage broker, says a number of clients have reported being heavily pressurised. “In-house mortgage advisers may not be independent or whole-of-market so they only have a limited number of deals, potentially leaving buyers worse off. It is vital that borrowers check they have access to all the deals in the market.

“Buyers should not be fooled into thinking they have to take a deal when putting in an offer for a new home. However, it appears that as house sales pick up, more buyers are falling into the trap.”

The OFT released preliminary findings this month of its study into the way homes are sold in the UK. This included a survey of officers from the Trading Standards Institute, which found that a quarter of estate agents did not comply with relevant regulations. In another survey carried out for the watchdog, one homebuyer in five reported feeling pressurised by estate agents, while 7 per cent were aware that their offer had not been passed on to the seller.

Richard Morea, of London & Country Mortgages, says: “It is commonplace for clients to complain to us of being bullied into taking mortgages from an estate agent’s in-house broker. It is not limited to one estate agency chain — this is an industry-wide problem.”

Connells is one of the largest estate agency chains in the UK, with 460 offices under 15 brands. It promotes a service called Head Start, which allows potential buyers to get a mortgage approved in principle before searching for a new home. The agency favours buyers in its Head Start scheme, informing them first about properties for sale before buyers who source their loan elsewhere.

Independent mortgage brokers criticise the practice. Clive Norman, of Sovereign Financial Planning Limited, says: “It does not seem fair to all your customers to give priority to some and not others. You must not discriminate against certain buyers under the Ombudsman scheme.”

Richard Dew, of Connells, told *Times Money*: “Because we know that buyers [in the Head Start service] are a better buyer we will work harder for them. If we know someone can borrow the money, that is the person we will call first.”

However, *Times Money* has seen evidence that suggests that Barnard Marcus may be going a step further. We have been given details of an e-mail sent this month to a buyer of a three-bedroom house in South London by her agent. The Barnard Marcus agent told the buyer, who does not want to be identified: “Congratulations . . . on your offer of £450,000 being accepted. This is subject to you using our mortgage service and our solicitors. (This will ensure a quick and smooth completion and that the property comes off the market.)” The buyer was eventually allowed to use her own broker but did use the in-house solicitors.

Agents argue that sellers are increasingly nervous about buyers securing a mortgage and prefer to accept an offer from a buyer with an in-house deal.

Peter Bolton King, the chief executive of the National Association of Estate Agents, says: "There is an advantage to a one-stop shop which allows an agent to arrange a mortgage for a buyer and push through the deal quickly.

"We wouldn't stand for an agent putting undue pressure on a buyer to take a mortgage. It would be totally unacceptable. But agents are acting for sellers and should check the financial ability of the buyer to complete the sale, to the best of their ability."

There are clear incentives for agents to favour buyers who have used the Head Start scheme. Not only do agents earn a commission for every mortgage taken out by a buyer, but the in-house mortgage adviser also earns commission when it is drawn down. Connells also charges buyers a fee of 1.5 per cent of the mortgage amount, typically about £299.

David Plumtree, the chief executive of Sequence, another part of the Connells group, says: "Our responsibility is not to place pressure on the buyer, but to take instructions from the vendor as to whether they accept the buyer's offer. Our duty is to the vendor and we aim to show the vendor as much information about a buyer's financial ability to proceed, so that they can make an informed decision as to whether to accept an offer, or whether to accept the offer but to leave the property on the market in case the buyer cannot raise the mortgage.

"Mortgage rejections have gone through the roof in the past 18 months. Taking a buyer's word that the mortgage is sorted is often simply not enough in order that we fulfil our obligations to our vendors."

Melanie Bien, the director of Savills Private Finance, the broker, said buyers should beware agents' tactics. "Don't let them bully you — by all means, see what they have to offer but ensure you compare it with an independent broker to see whether it really is as competitive as they say."

Buyers with complaints should call Consumer Direct on 08454 040506.

### **Case study: 'We felt under pressure on house deal'**

Jo Carlill, 39, and her husband Paul Bellsham 35, left, put in an offer for a four-bedroom home in Tunbridge Wells, Kent, which was on sale through Freeman Forman, part of the Countrywide group.

The couple, who had a large deposit and were chain-free, were asked if they needed to use the estate agent's mortgage services but said that they had organised a deal through Nationwide Building Society.

Ms Carlill says: "We said our mortgage was arranged but he didn't seem to take it seriously. A mortgage adviser called and asked me a lot of detailed questions about our finances. It was as if they didn't believe we had the money or that we could have organised a deal ourselves."

The couple, who have a 16-month-old daughter, felt under pressure to use the estate agent's mortgage services and were worried that it would affect their chance to buy the house.

They told the mortgage adviser to contact Nationwide to confirm that they were ready to complete the transaction. The next morning the vendor accepted a lower offer from another bidder.

The couple, who have bought elsewhere in the town, are still waiting for an explanation.

### **Common complaints**

There are number of tricks and cheats that estate agents have been known to use to secure the sale of a property at the highest possible price.

Estate agents may encourage "gazumping" by keeping a property on the market and carrying out viewings after an offer has been accepted in the hope of securing a higher bid.

Some agents have been accused of overvaluing properties to attract new sellers.

Homebuyers also complain that percentage fees can be based on asking prices, rather sale prices.