

The complaint

Mr and Mrs B's complaint is about additional borrowing they applied for on their mortgage with Nationwide Building Society. They are unhappy that whilst the decision in principle was an accept, Nationwide later declined the application, leaving them in a difficult position as they'd already started building works.

What happened

Mr and Mrs B took out a mortgage with Nationwide in 2017. In 2020 they decided they wanted to borrow more money to complete some alterations to their home. The decision in principle that Nationwide issued to Mr and Mrs B on 16 July 2020 was based on them borrowing £25,000 over the remaining term of the existing mortgage. The document confirmed it was not a mortgage offer and an application would be subject to Nationwide's lending criteria, the valuation and a review of the application by an underwriter.

An application, made on the same basis as the decision in principle, was submitted the following day. Mr and Mrs B confirmed they would be using the money for structural home improvements. They listed their liabilities as just over £7,000 of credit card debt and a student loan; none of which would be cleared from the further advance funds. Mr and Mrs B needed to submit some information to support the application and there were various questions and responses given.

On 18 August 2020 Mr B spoke to two members of staff at Nationwide. The conversation started with Mr B confirming why they had taken a payment holiday and that they were being asked for information that they'd already given. The member of staff looked at the application and input the information and confirmed that the information would now be reviewed. Mr B said the valuation had been booked and asked about increasing the amount they were borrowing. He asked if they would need to do a new application for that to happen. The adviser confirmed that the changes could be done over the phone, but if they were made the application would go back to the refer process. The adviser thought this process would be quite quick as the application had already been approved. Mr B made it clear that he and Mrs B had started the building work and didn't want to delay the further advance process. He was told the member of staff didn't think there would be a huge delay, but there might be a few days delay. The adviser said the service standard for the valuation to be assessed was eight days and the referral process could be done at the same time. Mr B decided to go ahead with the increase to the further advance, so it was arranged for him to speak to someone in the relevant team who could make the changes to the application.

The member of staff who subsequently altered the application informed Mr B that it had been declined because of undeclared credit. There was then a conversation about the new credit card debt and further information was added to the application, which had to be referred for reapproval. Mr B was told that this was likely to take a few days.

Nationwide received the valuation report the following day, but it wasn't logged on the system until 1 September 2020. In the meantime, the referral of the amended application was considered. On 20 August 2020 it was noted that some further information was needed, including questions about the new debts that had been identified since the last checks had

been done. The same day Mr and Mrs B told Nationwide they would be paying off the debts from the mortgage advance. Nationwide wanted the new debts to be paid off before the further advance funds were paid out. Mr and Mrs B said they couldn't do this. The application was assessed again and subsequently declined.

On 2 September Mr and Mrs B complained about the application process – it had taken too long, promises about timescales weren't met and kept changing and the valuation had taken too long. They were also unhappy that the application had been declined.

The application was referred the same day for reassessment. However, Nationwide didn't change its decision. It explained that the funds from a further advance needed to be used for the purpose stated in the application and if Mr and Mrs B wanted to change the use of the funds, they would need to change the application. As things stood under the existing application, the debts needed to be cleared and they would need to provide proof this had happened.

Mr and Mrs B's broker contacted Nationwide on 24 September 2020 to instruct the cancellation of the application.

Nationwide responded to the complaint and confirmed that there were times when the service timescales indicated by its advisers weren't met. In addition, the valuation took too long. As such, it offered Mr and Mrs B £125 compensation.

Mr and Mrs B weren't happy with what Nationwide had said and it provided a further response. It highlighted that when the application was made it was told the money was to be used for structural work on the property, but further information indicated that Mr and Mrs B were also settling some debts with the funds. This was new information and so needed to be looked into. Nationwide said it wasn't willing to consolidate unsecured debts to the mortgage, and as they were not being cleared before the advance would have been made, it wasn't willing to lend.

In addition, Nationwide pointed out that the decision in principle was not a guarantee of lending or a mortgage offer. Also, that the application was always subject to a full assessment of Mr and Mrs B's circumstances and valuation of the property. As such, they started the works on their home at their own risk. Nationwide also pointed out that it was confirmed when Mr and Mrs B applied, they shouldn't make any material changes to the application, or it might be declined. It said the original four to six-week timescale for the application to be assessed was reset when Mr and Mrs B changed the application mid-process. This then identified there were debts that had not previously been declared. Nationwide explained that as there was no guarantee that Mr and Mrs B would use the money for the purposes they'd said they would, once an advance was made, it asked that the new debts were cleared before that. As evidence that this would happen was not provided, the application was declined. Nationwide increased the compensation offered by £50 to take account of how long it took it to respond to the complaint.

Mr and Mrs B didn't accept Nationwide's response and referred their complaint to this service. They explained that because Nationwide wouldn't lend them the money they wanted, they'd ended up with an unsecured loan for £10,000 and £20,000 on credit cards. They believed this would cost them more than if Nationwide had lent them the £30,000 they wanted on their mortgage.

One of our investigators considered Mr and Mrs B's complaint, but he didn't recommend it be upheld. He agreed that Nationwide had made mistakes in the processing of the application, but he concluded much of the stress and inconvenience Mr and Mrs B suffered was because the building work started earlier than originally planned on the assumption the

money from Nationwide would be received. As such, he considered the compensation offered by Nationwide was sufficient. In relation to the decision not to lend, the investigator didn't find that Nationwide did anything wrong.

Mr and Mrs B didn't accept the investigator's conclusions. They said that the telephone call on 18 August 2020 wasn't initially made to request an increase in lending; it was made to check up on the progress of the existing application. Mr B said that he made it clear to Nationwide, because of the delays that had already occurred, he didn't want to increase the borrowing if it would mean starting the process again, so they would dispute Nationwide's excuse for the timeliness was due to restarting the application.

In addition, Mr and Mrs B believed that had the increase in lending not been requested, there wouldn't have been any issues in the application being accepted. They said they considered the advice they received during the application to increase was misleading. Furthermore, had they received a full explanation about the new debts on 20 August 2020 when they were first asked about it, they could have cleared the debt. Mr and Mrs B said they understood that we couldn't make Nationwide lend to them based on the original application, but £175 was insufficient compensation.

Our investigator considered Mr and Mrs B's further comments, but they didn't change his conclusions. As such, they asked that the complaint be passed to an ombudsman.

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.

Nationwide accepted that the service Mr and Mrs B received wasn't good enough in that documents weren't uploaded when they should have been and timescales weren't met. It offered £125 for these errors. I've considered the matter and I think that's a reasonable amount in the circumstances. The additional £50 for delays in a complaint process would also seem an appropriate sum.

At the core of this complaint is Nationwide's decision not to lend to Mr and Mrs B. However, there was never a guarantee that Nationwide would agree Mr and Mrs B's application to borrow more money against their home. Whilst it looked likely Nationwide would do so, based on what it had been told in the application, it hadn't made a definite decision at the point Mr and Mrs B changed their application. So it's not possible to say that the further advance would have been agreed had they not changed the amount.

When Mr and Mrs B changed their application, Mr B was told that doing so shouldn't delay the application by much. He was also told that it would move the application back to the beginning of the review stage, but as the existing application was at that stage already, the adviser didn't think there would be a problem. That information turned out to be wrong, but I don't think the adviser could have known he wasn't giving Mr B accurate information. The adviser and Nationwide weren't aware of the new debt at that point. The discovery of further debt was a significant change to Mr and Mrs B's circumstances, on which the application had been progressed to that point.

Once Nationwide was aware of the new debt, it needed to reconsider the situation and application. That isn't unreasonable – a lender is entitled to consider any new information it receives. Mr and Mrs B don't think the new debt altered the situation as Nationwide considered it did, because they would be paying off the new debt from the further advance. However, a lender can't make a borrower use funds in the way they have said they will. So Nationwide couldn't guarantee the new debts Mr and Mrs B were in the process of accruing

wouldn't still exist down the line and potentially make the existing mortgage and the new further advance unaffordable. Overall, I am not persuaded that Nationwide acted unreasonably in relation to the additional debt it discovered Mr and Mrs B had or in declining the application once it discovered the new debt.

Mr and Mrs B explained that they found the situation very stressful. I have considered this, and I agree with our investigator; the majority of the stress they would have suffered was because they had started spending the funds they'd asked Nationwide for before it had agreed to lend them. I don't think I can blame Nationwide for that stress, as it didn't provide any guarantee that it would agree to the borrowing Mr and Mrs B wanted.

My final decision

My decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 21 September 2021.

Derry Baxter
Ombudsman