

The complaint

Mr S' complaint about Nationwide Building Society (NBS) relates to the service he received when making an application for a residential mortgage.

What happened

Mr S has said it took NBS eight weeks to reach the decision that it could not offer him a mortgage during which time mortgage rates increased and he lost the opportunity to get a much better rate than he presently has. He feels that NBS could have made their decision much sooner as it knew it did not lend against the type of property he wanted to purchase. Mr S also complains about the length of time it took for NBS to reply to his complaint.

Mr S made his mortgage application on 14 March 2022 and a decision in principle (DIP) was made that day. The following day, on 16 March, a full mortgage application was made leading to NBS arranging a valuation on the property for 17 March.

On 21 March 2022 NBS said the property was not a suitable security for lending and accept that the application ought to have declined at that point, but this was overlooked. NBS advised Mr S' broker that the application had been declined but also asked for further information. The email says,

'If a satisfactory EWS1/further information is provided my valuation will be £0 – property not suitable security'

On 6 April, NBS sent an email to Mr S' broker that the application had been declined citing the reason as,

"The property is directly opposite commercial use on a high street which means under lender guidelines it is not suitable as security for the lender" - property is not suitable security and as per NW Policy declined. Case will be cancelled 10/04."

On 26 April Mr S' broker raised a complaint with NBS on Mr S' behalf and asked that the decision to decline his application be investigated.

On 6 May Mr S's broker asked NBS for an update which it chased on 10 May only to be told that the application had been declined because it was not a suitable security for lending. This led to Mr S making a complaint to NBS on 25 April which was not responded to within eight weeks as it should.

NBS accept that it had identified in May 2017 that the property Mr S proposed to buy had been 'closed to lending'. In other words, it was not a property NBS would accept as security for a mortgage. NBS re-opened the property for lending in June 2019 but closed it again in August 2020. NBS also accept it ought not to have requested a valuation on the property, or asked Mr S to provide more information, but that said, it does not accept that it caused the losses Mr S now claims he has suffered.

NBS accepted it had provided poor service and that it had responded to his complaint on 23 June which is outside the eight-week period permitted, and so offered Mr S £100 in compensation.

Mr S was unhappy with NBS's final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that there had been poor service by NBS, and the amount of compensation offered was insufficient. She thought £250 overall would be a fair and reasonable resolution. NBS agreed with that but Mr S didn't and asked for the complaint to be passed to an Ombudsman for a final decision.

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.

NBS have accepted that the property Mr S wished to purchase was not one it would ever have agreed to lend against. That is of course a business decision which NBS are entitled to make. I do not think that Mr S challenges this point either.

Mr S made his full application on the 15 March and it wasn't until 21 March that NBS identified that it wasn't a property they were going to lend on. Mr S feels that NBS ought to have realised this the day after he applied when it first dealt with his application and arranged the valuation.

On 17 March, the Bank of England (BoE) raised its base interest rate to 0.75% so I can understand why Mr S is unhappy. But even if NBS had told Mr S on the 16 March that it wasn't going to be able to offer him a mortgage, it is highly unlikely Mr S could have approached another lender, and obtained another mortgage offer prior to the BoE base rate going up.

So, the fact that NBS didn't immediately tell Mr S that his application was not going to succeed, it has not caused Mr S any loss in relation to the first BoE base rate increase because that would have happened before he could have obtained a new mortgage offer anyway.

I accept that NBS' letter 21 March is confusing because it tells Mr S that further information is required but also that even if it is provided, and is satisfactory, the valuation will be £0 and the property will not be a suitable security. It is understandable therefore why that decision would be challenged. But, I have also seen the email from NBS to Mr S' broker on 6 April stating that the application had been declined and would be cancelled on 10 April. That letter was very clear so there can be no misunderstanding to my mind that the application was going to be cancelled and when.

I understand a different reason may have been given later to the broker, but the fact remains that the reason provided on 6 April very clearly spelled out why the application had been declined, that being that the proposed property was not a suitable security for NBS. At that point in time Mr S could have made an application to another lender, but he didn't. He and his broker chose to raise a complaint and ask for the decision to be reviewed, although that wasn't done until 26 April.

On 5 May BoE raised the base rate again to 1% and so the question now becomes whether NBS can be said to be at fault in some way for any losses after this point. I don't think it can. On 6 April Mr S and his broker would have known that there was always a possibility that interest rates could change with market conditions. Indeed, the mortgage illustration explicitly says that. It was also widely known at that time that interest rates were likely to rise

further. And whilst I understand why Mr S initially wanted to challenge NBS' decision, he would necessarily have known that such a challenge would take up time during which the risk was present that the rate would change – which it did. And I have seen the email exchange between Mr S and his broker in which Mr S is clearly trying to chase a decision which evidences this challenge.

So, I don't see that NBS has caused any loss here. It declined the application on 6 April and Mr S could have chosen to obtain another mortgage at that time and in the month before rates rose again.

Putting things right

NBS has accepted that it didn't get things right to some degree however, even though they are unrelated to the increase in rates, and because of that it has agreed with our investigators view that compensation should be increased to £250. I've given this some further thought I think this is a fair and reasonable figure as the effect of those mistakes was to put Mr S to time and trouble obtaining information that he didn't need to. It also takes into account that there was a delay of a few days in providing Mr S with a response to his complaint. As I understand it Mr S has no loss in relation to the valuation fee since that was refunded.

So, although Mr S will probably be disappointed with my decision, and whilst NBS have indeed made errors, I can't say NBS has subsequently acted unfairly or unreasonably here and I'm not upholding this complaint.

My final decision

Nationwide Building Society has already agreed to pay Mr S £250 to settle this complaint, and I think that is fair and reasonable. So, my final decision is that I don't require it to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 February 2023.

Jonathan Willis
Ombudsman