

The complaint

Miss J complains that her mortgage offer from National Westminster Bank Plc was withdrawn when NatWest decided the ground rent on the property she was buying was excessive. Miss J said NatWest knew this from the start, so shouldn't have made an offer.

What happened

Miss J wanted to purchase a leasehold property. She told NatWest about the property she wanted to buy as part of her application, including that the ground rent was £90 per month.

NatWest made a mortgage offer to Miss J in late 2020. But in mid-2021 it said it could no longer offer the mortgage as the ground rent was too high – despite being aware of this since November 2020.

Miss J said she'd incurred significant costs because NatWest told her it would give her a mortgage, then changed its mind. And she said that this had all been extremely stressful. She wanted NatWest to cover her costs, and pay her compensation.

NatWest said once its solicitors alerted it to the level of the ground rent, it instructed its surveyors to review. And the surveyors decided the ground rent was excessive, so it was likely to limit the marketability of the property. NatWest said that meant it could no longer lend.

NatWest refunded the valuation fee that Miss J had paid, but it said it wouldn't cover any of her other costs, as they were solely issues between the third parties and Miss J.

Our investigator thought this complaint should be upheld. He said NatWest was aware of the cost of ground rent in late November. But it continued with the mortgage offer. So our investigator thought NatWest already knew everything it needed to, before the offer was made. Miss J paid her broker, because an offer was made, and she instructed a solicitor. Our investigator was clear that he could see nothing to suggest Miss J had acted in an unethical manner during her mortgage application process. And he said he couldn't see anything in the offer which allowed NatWest to withdraw it in these circumstances.

Our investigator thought that what happened was unfair. He said Miss J only incurred costs for a solicitor and broker because of this offer. So he thought NatWest should pay £572.16 for solicitors' costs and £300 for a broker fee, which he said Miss J had evidenced. Our investigator didn't think NatWest should cover Miss J's rent, because Miss J would always have had to pay either rent or a mortgage. And he didn't think NatWest should pay Miss J's storage costs, because he hadn't been able to determine that the storage unit was only for her belongings. But he did think NatWest should pay Miss J compensation, of £350.

Miss J accepted that. NatWest didn't. It said that the issue of the ground rent being too high could only be determined by a professional surveyor. As soon as the surveyor made it aware of this issue it had no choice but to withdraw the offer. And NatWest said that as all offers

are subject to completion of a suitable valuation, it didn't think it could be held liable for the costs our investigator asked it to reimburse.

NatWest also sent our service a mortgage offer dated 6 January 2021. The first page of that offer includes the following –

“An assessment for lending purposes will have been undertaken to provide the property valuation ... assumed in the Mortgage Illustration. This has been undertaken solely for our purposes ...”

Because NatWest didn't agree, this case was passed to me 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.

I've reached the same overall conclusion on this complaint as our investigator.

Miss J has shown our service evidence that NatWest was aware of the annual cost of ground rent on the property that she wanted to buy, certainly by the end of November 2020. And the offer NatWest made in January 2021 says that the property has been valued.

NatWest later rescinded this offer, on the basis that the cost of the ground rent severely limited the marketability of the property. But, like our investigator, I think NatWest had all the information it needed to reach that conclusion much earlier than it did. And NatWest does appear to have checked that the property provided adequate security for the lending before it issued a mortgage offer.

An offer was made to Miss J, so I think it was reasonable for her to start making preparations for a purchase, which included costs. And I can't see anything in NatWest's offer conditions which allows it to withdraw its offer in these circumstances. So I don't think NatWest acted fairly when it withdrew Miss J's mortgage offer. And for those reasons, I do think NatWest should pay the costs and compensation that our investigator first suggested. I think that provides a fair and reasonable outcome to this complaint.

My final decision

My final decision is that National Westminster Bank Plc should pay Miss J £572.16 for solicitors' costs, £300 for a broker fee, and £350 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 31 January 2023.

Esther Absalom-Gough

Ombudsman