

## **The complaint**

Miss T complains that her application for further lending has been unfairly declined by Nationwide Building Society.

## **What happened**

Miss T had an existing repayment mortgage with Nationwide since 2018. In 2022, Miss T wanted to borrow a further £20,000 to consolidate her existing debts and pay for some home improvements. In May 2022 she received a decision in principle (DIP) and submitted the application for further lending. This application was declined in September 2022.

Miss T is unhappy with both the decision to decline her application and how it was handled by Nationwide staff. She says several issues came up and she was given reassurance multiple times that her application would be successful.

In October 2022 Nationwide paid Miss T £500 compensation to recognise the procedural and service issues. It also said the best way forward would be for Miss T to make a fresh application due to the time that had passed. However, when Nationwide reviewed Miss T's bank statements it advised her not to apply as it didn't think it was likely to be accepted.

When Miss T complained to our service, the investigator didn't uphold the complaint. In summary they said they thought £500 was a fair amount of compensation to reflect the poor service Miss T received and that Nationwide had declined her application fairly.

Miss T didn't agree, she said her initial application from May 2022 should have been accepted and so she didn't think it was fair for Nationwide to rely on her statements after this point (in October 2022) as a reason for not providing the lending. She said no new information or statements were provided between her second DIP and the decline decision.

So, the matter has been passed to me to decide.

## **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.

Having done so I'm not upholding this complaint, this is because I think Nationwide has now put matters right. I'll explain why.

It isn't in dispute that there were multiple issues with Miss T's May 2020 application for further lending which caused delays to the application and additional stress to Miss T. As I understand it:

- Nationwide initially wouldn't accept the incoming maintenance payments Miss T declared on the basis these were cash payments of varying amounts. It subsequently agreed to include this in its affordability assessment upon appeal.

- Nationwide keyed in an incorrect value for the maintenance payments - £460 was used rather than £480. This led to some confusion because Miss T was incorrectly told she would need to either extend the term of the mortgage or reduce the amount she was applying to borrow.
- The valuation in May 2022 didn't take into account that the property was a restricted sale property and so a further valuation was undertaken in August 2022 resulting in a lower valuation and therefore a higher loan to value (LTV).
- Nationwide says at the time the application was being re-considered in September 2022 there was a difference between Miss T's declared debt and the debt showing on her credit file. It's possible this was because her credit file was updated during the time taken to progress her application. But as her debt was higher than declared, this raised affordability concerns.

Miss T has explained that she found this experience very stressful, particularly given this was at a time when she was seeking to relieve financial pressures by consolidating her debts and reducing her monthly outgoings. I've reviewed Nationwide's contact notes and can see she was regularly seeking updates and being reassured her application would progress.

I agree Nationwide has provided poor customer service here and caused delays to Miss T's application. Nationwide should have been clearer that Miss T's application wasn't guaranteed, and it also should have been able to provide an answer to her application much sooner. Having said that, I think the £500 compensation it's already paid Miss T is sufficient in the circumstances. This recognises the considerable distress and inconvenience to Miss T over a matter of months.

Nationwide declined Miss T's application in September 2022 on the basis that it was unaffordable. But it also appears to have recommended a new application due to the time that had passed and up to date financial information being needed. I understand Miss T thinks Nationwide should now provide the lending if it ought to have at the time. However, as I've said, the compensation awarded recognises Nationwide's errors. And I don't think it would be fair or reasonable to require Nationwide to provide further lending when a more recent assessment of Miss T's financial circumstances has concluded that she doesn't meet its lending criteria – this includes the level of risk it's willing to take on. So, I've considered how it handled matters in October 2022 when a further application was discussed.

Nationwide reviewed Miss T's more recent account statements and identified a significant amount of gambling transactions. It has explained that where gambling levels detrimentally impact an applicant's financial management this is relevant to its review of their credit risk. And that the level of gambling on Miss T's accounts would likely mean her application wouldn't be successful – particularly given part of the purpose of the lending was to consolidate debt. I think Nationwide has acted in Miss T's interests by letting her know a further application would likely be unsuccessful before she made one.

Miss T was seeking to consolidate unsecured debt into secured debt and take out further lending. So, I wouldn't expect Nationwide to provide further lending that it now doesn't think would be responsible or affordable for Miss T – among other things this would increase the risk of Miss T losing her home in the future. So, I don't think it would be reasonable (or in the interests of either party) to require Nationwide provide the further lending Miss T was seeking.

For the reasons explained, I don't think Nationwide needs to do anything further to put matters right in the circumstances.

**My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 26 April 2023.

Stephanie Mitchell  
**Ombudsman**