

The complaint

Mr H complains that National Westminster Bank Plc declined his request to remortgage a property he rented out. He said NatWest mistakenly disregarded some sources of his income, and its decision not to lend was negligent.

What happened

Mr H applied to remortgage a home he'd rented out, with NatWest, moving from a different lender, and adding about £25,000 of extra borrowing for property improvements. Mr H said he applied on 30 March, and the process took a long time, with NatWest making exceptionally detailed requests for information.

On 21 July, the conveyancing firm NatWest appointed told Mr H his mortgage offer had been posted to him on 14 July. But on 2 August, he spoke to the firm again, and was told the lending wasn't going ahead. Mr H said NatWest didn't tell him it wouldn't lend, and he wanted compensation for its failure to lend him the requested amount. Mr H said NatWest had made its decision based on other data it held about him, which he thought was unlawful.

NatWest said Mr H first applied for a BTL mortgage with it on 14 April, and his lending request was declined. Then it gave Mr H a second mortgage application appointment, on 22 June. NatWest says this shouldn't have been offered, nothing had changed, so it was very unlikely Mr H's second application would succeed.

NatWest decided to turn down Mr H's second application on 28 June. It couldn't contact Mr H to tell him this. It did tell his mortgage advisor and bank manager. No message was passed on to Mr H then, instead the mortgage advisor appealed, sending further information on Mr H's income to the underwriter. This was reviewed on 11 July, and a final decision not to lend was made. NatWest thought Mr H should have been told about this on 11 July.

But it didn't tell Mr H this, and it did then still carry out the arranged valuation of his property on 12 July. Mr H didn't find out his second application had been declined until early August.

NatWest paid Mr H £350 to say sorry, and sent a gift to his address. The only address it had for him was his rented property, so the gift went to his tenants instead. NatWest said it would send this again, and said it had no other address for Mr H, he'd declined to update this.

Mr H was concerned that NatWest had assessed his application against his personal income, which he said wasn't the right approach for BTL mortgages. NatWest explained why it took this approach in circumstances like Mr H's, and said it didn't think this was a mistake.

Mr H was confident NatWest must hold some data on him which it hadn't shared with him, and which led it to turn him down. Mr H said he wanted to see this, but NatWest said it had only considered his banking records with it, information he'd supplied, and his credit report.

Mr H said he was encouraged to make his second application by his personal bank manager, as some of his income had been ignored. Mr H said this application took up a

considerable amount of his time, and also caused losses, leaving him less than 30 days to source an alternative loan.

NatWest said Mr H passed the initial affordability assessment on his second application, but then underwriters decided this lending wasn't affordable. NatWest did say it was premature for it to have appointed solicitors and commissioned a valuation, so it was sorry for any inconvenience this caused Mr H. NatWest accepted that its service to Mr H fell short of the standards it aims to provide, but it thought its ultimate decision wasn't wrong.

Our investigator thought NatWest should pay Mr H a little more compensation, to take the total up to £500. But he didn't think it had to change its mind about lending. He said NatWest is entitled to set its own lending criteria. He thought it applied those criteria fairly, and that its decision was based on assessing the documents Mr H provided as part of his application.

Our investigator said NatWest never offered to lend to Mr H. But his expectations were raised by the second mortgage consultation. NatWest had apologised for this, and for not telling Mr H its lending decision on 11 July. Our investigator also thought starting the valuation and conveyancing early may also have raised Mr H's expectations, and caused more inconvenience. So he suggested increasing the level of compensation paid to Mr H.

Mr H replied to object. He said he'd only just received a response to a Subject Access Request ("SAR") from NatWest. He said NatWest's letter of 23 June said there was "*no further information required*". That's why he thought everything was fine, months after his applications. And in his view, rejecting an application as unaffordable while disregarding some income, was negligent.

Our investigator noted the 23 June letter wasn't an offer and didn't give any commitment to lending. He said NatWest had assessed the documentation Mr H provided, in line with its lending policy, but then made a lending decision which was within its commercial discretion. Mr H disagreed, he still thought this was negligence.

NatWest said Mr H had written to it directly, to challenge its underwriters' decision, which he now said was based on partial information. NatWest thought this should form part of the review our service was doing, so it wouldn't communicate with Mr H directly about this.

This case then came 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.

Part of Mr H's complaint was about how long it took NatWest to reach a decision on his application. He said he first applied at the end of March, and didn't hear anything until August. But Mr H's first mortgage appointment was held in mid-April. His application was then declined, so I don't think Mr H was misled into thinking that NatWest was considering his application at this stage.

Mr H reapplied at the end of June. I understand NatWest has expressed regret that Mr H was put to the trouble of submitting this second application. NatWest doesn't think he should have been encouraged to do this, because it was unlikely the lending decision would change. I think that's right. And NatWest expressed regret that Mr H wasn't told of its final decision earlier than August 2022, a decision that could have been communicated to him almost a month earlier. Again, I think that's right, NatWest has made a mistake in delaying its communications with Mr H.

I could understand why Mr H thought this application was going ahead, as not only was he not told of NatWest's decision right away, but NatWest had also commissioned a valuation and instructed solicitors. So more of Mr H's time was wasted, and I anticipate he would have been both disappointed and frustrated to find out later that NatWest wouldn't lend to him. I do think that what has gone wrong here shows service failings, and I agree with our investigator that NatWest should pay Mr H some additional compensation in this case. I also think that a total payment of £500 would provide a fair and reasonable outcome to this part of Mr H's complaint.

However, like our investigator, I don't think our service is able to do for Mr H what it appears he would like, which is to overturn the decision NatWest made. Broadly speaking, it is for a bank to reach its own decisions on who to lend to, set against its own assessment of risk. Mr H has said he thinks NatWest's assessment was negligent, because it ignored important parts of his income. But it looks to me as if NatWest did have at least high level information on the different sources of Mr H's income. And I think NatWest was entitled to make its own decisions in this case on which income streams it considered would be appropriate for consideration as part of the support to the repayment of mortgage lending well into the future.

My duty, in considering a complaint, is to decide it by reference to what is fair and reasonable in all the circumstances. And here, although I do think Mr H has received some poor service from NatWest, as set out above, I don't think the core decision not to lend to him was likely to have changed, if these service lapses had not occurred. I also note that NatWest has told our service its underwriter has re-reviewed this decision once again, since it came to our service. It remains of the same view. So I don't think the final position of NatWest not lending to Mr H, represents an unfair or unreasonable outcome in this case.

I know Mr H will be disappointed by my decision, but I don't think that NatWest has to do more than pay the additional amount of compensation I'm awarding here.

My final decision

My final decision is that National Westminster Bank Plc must pay Mr H £150, in addition to the payment of £350 it has already made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 August 2023

Esther Absalom-Gough

Ombudsman