

The complaint

This complaint is about a mortgage application Mr T made to Nationwide Building Society to buy a leasehold property. Mr T's solicitors exchanged contracts on his purchase after Nationwide had told them they could proceed as normal. The following day, Nationwide reduced the mortgage offer due to a mistake over the duration of the lease; Mr T was only able to complete by borrowing money from a personal friend. Mr T is represented in the complaint by Miss T.

What happened

The broad circumstances of this complaint are known to Mr T and Nationwide I'm also aware that the investigator issued a response to the complaint, which has been shared with all parties, and so I don't need to repeat all the details here.

Our decisions are published, and it's important that I don't include any information that might result in Mr T being identified. Instead I'll give a brief summary of what led to the complaint, rounding the figures where appropriate, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr T was a first-time buyer, and had applied for the mortgage with Nationwide through a mortgage broker I'll call M. In February 2022, Nationwide issued an offer for £89,000, based on a purchase price of £105,000; the offer recorded the lease on the property as having 115 years left on it. The information about the lease had been taken from the valuation carried out on 27 January 2022 by an independent surveyor instructed by Nationwide. The offer was updated on 4 March 2022, albeit the information listed above was unchanged.

In June 2022, Nationwide's solicitors reported to it that the lease only had 89 years left. As this had the potential to impact on the amount it was willing to lend, Nationwide referred the case back to the surveyor for review. On 18 July 2022, Nationwide contacted Mr T's solicitors to say: *"We have received a response from the valuer, they have confirmed the lease term is acceptable and you may proceed with the application as normal."*

Based on this message, Mr T's solicitors exchanged contracts with his seller the following day. However, the day after that – i.e. 20 July 2022 – Nationwide announced that the valuation had been reduced to £98,000 as a consequence of the shorter lease, and it was now only willing to lend £83,300. Faced with the prospect of a financial sanction if he failed to complete on the purchase, Mr T borrowed £5,300 from a personal friend, whom I'll call Mr H, at short notice.

Miss T complained on Mr T's behalf. She said that Mr T, who has health issues, had been hugely stressed by what had happened, and that the cost of repaying Mr H was now impacting on him financially as he settles into his new home. Nationwide accepted it had made a mistake and offered Mr T £200 compensation.

When the case came to us, our investigator asked Nationwide to increase its redress offer by £550 – to £750 in all. Nationwide agreed to do this, but Mr T has asked for the complaint

to be reviewed by an ombudsman. He thinks at the very least, Nationwide should reimburse him the money he was forced to borrow from Mr H.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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, what follows are my conclusions and the reasons for them.

This is not a complaint where I have to decide fault; Nationwide had admitted liability and offered redress to put things right. What remains in dispute, and what I have to decide, is whether Nationwide's offer is fair, or if it needs to do more.

To be clear, Nationwide's mistake wasn't to reduce its offer; it was legitimately entitled to do that once the error over the duration of the lease came to light. Meanwhile, that error wasn't Nationwide's doing either; it had relied, quite reasonably, on the information provided to it in the first valuation. No, Nationwide's error, purely and simply, was to send a message to Mr T's solicitors that made them believe, also quite reasonably, that they could commit Mr T to the purchase.

Critical to my decision is whether and to what extent Mr T's current position would be different if Nationwide hadn't mistakenly induced his solicitors to exchange contracts. That's why I asked what he would have done differently if, as should have happened, he'd be told about the lending reduction before he became legally committed to the purchase.

Miss T has described that as an unfair question, and I do appreciate the sentiment. However, it is a necessary question, and I thank her for answering as honestly and openly as she has, on Mr T's behalf. Based on what Miss T has said, the only conclusion I can fairly reach is that Mr T would still have gone ahead with the purchase, with the assistance of the money Mr H lent him.

So the position in which Mr T currently finds himself is, in all likelihood, where he would have been if Nationwide hadn't caused the premature exchange of contracts. But if Nationwide hadn't done that, it would not have come as such a shock to Mr T that he'd need to find the shortfall elsewhere. The loan from Mr H would still have happened, but it would have been arranged in a more orderly fashion, and in a calmer environment where Mr T was not under pressure of being liable to forfeit his deposit if he didn't meet his obligation to complete.

I've no doubt it was a horrible time for Mr T. Aside from him being a first time buyer for whom everything that unfolded was a new experience, he doesn't enjoy good health. Taking everything into account, for the stress this undoubtedly caused him, I consider £750 compensation to be fair and reasonable in all the circumstances. Nationwide had previously offered Mr T £200, but it's my understanding that was never actually paid to him. My award reflects that.

My final decision

I uphold this complaint in part. In full and final settlement, I direct Nationwide Building Society to pay Mr T £750 compensation for his time, trouble and upset.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 31 July 2023.

Jeff Parrington

Ombudsman