

The complaint

Mr and Mrs W's complaint about Nationwide Building Society (NBS) relates to their application for a mortgage and the advice they received from NBS' mortgage advisor.

What happened

Mr and Mrs W wanted to re-mortgage with NBS and at the same time borrow some more money for home improvements and for the purchase of a second property. They were using one of NBS' mortgage advisors (MA). They made an application on 30 April 2022 and received a decision in principle (DIP) for a ten-year fixed rate mortgage deal at an interest rate of 2.34%.

Mr and Mrs W said they made it clear to the MA that they hadn't made any offers on the second property, and nor did they have any of the required development certificates or any quotations from builders, since they first wanted to know whether they had secured the necessary funding before incurring any expense. They say the MA said that if they made a full application the absence of this information wouldn't be a problem. They also say that the MA didn't advise them that there might be a request for further information, of the type which was ultimately sought.

A full application was submitted on 10 May 2022, and Mr and Mrs W paid a fee of £999 in order to lock in the interest rate. On 18 May the MA contacted Mr and Mrs W to state that NBS underwriters required further information about the second property purchase, in particular the necessary permissions, builders' quotes and whether an offer had been made. Mr and Mrs W explained again they did not have that information and why. The MA said he would look into matters but on 10 June Mr and Mrs W were notified by their solicitors that their file had been put on hold since the mortgage offer had not yet been issued.

On 13 June NBS cancelled the application as the information sought had not been provided, inviting Mr and Mrs W to reapply when they had it. The £999 fee was returned a week or so earlier. The MA said that there wasn't anything within NBS' policy stating that this type of information/documentation should be provided prior to submission and following making an application, it was up to the underwriters to decide what they did or did not wish to see.

Mr and Mrs W also complained that it took over 150 days to respond to their complaint, that being well outside the 56-day timescale set by the Financial Conduct Authority (FCA).

NBS didn't accept that it should have advised Mr and Mrs W that the underwriters may call for further information and said that in any event it was clear from the DIP that any application was subject to an underwriters review and NBS' lending criteria. They said that as the information the underwriters asked for in Mr and Mrs W's case was not standard, the MA couldn't have anticipated that the underwriters would ask for it.

It did however agree that when the MA was away on leave another MA should have notified Mr and Mrs W of the outcome of the underwriter's assessment on 30 May, but this didn't happen until 13 June and only after Mr and Mrs W chased matters up. It also accepted that it

took too long to resolve the complaint. In recognition of the lack of service, NBS apologised and offered to pay Mr and Mrs W £200 in compensation.

Mr and Mrs W were unhappy with NBS' final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that there had been some poor service in relation to NBS' failure to keep Mr and Mrs W updated and in it taking too long to resolve the complaint. But he did not feel that NBS had acted unfairly in relation to the mortgage application.

He thought that a fair and reasonable resolution would be to increase the amount of compensation NBS had offered by £150. Mr and Mrs W didn't agree 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 issued a DIP on 30 April. A DIP is not a mortgage offer, it is an indication, following a credit search and credit score, that in principle an application for a mortgage will be approved. Importantly it is subject to a number of conditions, some of which are that any full mortgage application will be subject to NBS' lending criteria, valuation, suitability of the property, and a pre-offer case review by an underwriter. This is expressed on the face of the DIP together with the following.

This decision in principle does not imply reservation of a particular mortgage product or rate. Our decision in principle to provide loan facilities to you is subject to no errors, omissions or material changes in the information that has been provided.

When Mr W contacted MA on 9 May he was asked whether he had received the DIP, which he said he had albeit it was very strange because he could not open it and the advisor had told him, 'Yes you have had your approval in principle'. Taken at its highest this statement simply reaffirms that the DIP was, a decision taken by NBS that they were, in principle, happy to lend to Mr and Mrs W. It would have been very apparent to Mr and Mrs W, that the DIP was not a mortgage offer, since they knew a full application for a mortgage was required, and of course Mr W went through a lengthy interview with the MA for that purpose on 10 May. Mr and Mrs W would therefore have known there was a difference between a DIP and a mortgage offer, and that the former was not a guarantee that NBS would lend to them.

Mr and Mrs W had the opportunity of reading the DIP document, and although they couldn't open the document, they could have obtained and read the document if they so wished by contacting NBS and asking for it to be sent in a format they could open. The DIP was also discussed by the MA with Mr W on the call on 10 May, and Mr W could have raised this issue at that point, but he did not. The DIP document sets out very clearly that a DIP is a decision subject to certain conditions which I have set out above.

In my view, the issue in this complaint is whether the MA misled Mr and Mrs W into believing that when they made their application it would be granted without any further request for information or documentation.

Mr and Mrs W say that they have gone over their notes of the telephone call they had with the MA on 10 May and that these show they told MA they did not have any of the information such as builders' quotes/estimates or had made any offer on the second property. Further, that they told MA they wouldn't be able to provide this information during the application

process either. They say they have also recorded the following, *'Decision in Principle is fine'* and *'No additional documents needed'*. They are correct that the MA made both those comments

Having listened to the call recording on 10 May, I heard Mr W confirm to the MA that he didn't have building quotes or estimates but he did say he had done a cost plan indicating the building costs would be in the region of £55,000 to £60,000. He did not say that quotes or costs estimates couldn't be provided if they were required, but nor was he told that they would be. Equally the MA did not say that the information Mr and Mrs W had so far provided would be sufficient and that further information wouldn't be required.

What MA did say, of relevance to this issue, is recorded in the first 14 minutes of the call. After taking Mr W through the security questions, the MA said he would first take a look at the DIP. He told Mr W that he understood that his application had been referred in the first instance to an underwriter and said he'd take a look to see why that was, but *'it was not something I'd be concerned with as there are certainly no issues in terms of affordability or anything of that nature, yeah, so, that should be fine'*. Having looked further into it, the MA said the DIP was *'fine'*, going on to say he would check to see if NBS needed anything else from him and then saying, *'No, good, we don't need any additional documentation'*.

My interpretation of these comments is that when the MA made the comment about the referral to the underwriter, that was in the context of why the initial application for a DIP had been referred to the underwriter. I do not consider that the reference to being not concerned was a reference to not being concerned about making the full mortgage application.

Further, the MA was not saying that there would be no further requirement for information or documentation, rather, at that point in time, in order to submit a full application for a mortgage, nothing further was required. I do not think his comments can be reasonably interpreted as meaning NBS would limit themselves to assessing his application only on the basis of the documentation then submitted. Indeed, the DIP makes it clear that any mortgage application was subject to a pre-offer case review by an underwriter, and it is reasonable to expect that MA couldn't possibly know what an underwriter may or may not wish to see.

So, I do not agree that the MA misled Mr and Mrs W because they knew that their mortgage application was always going to be subject to an underwriter's review. I do however agree with our investigator that the MA could have been more specific in advising about the underwriter's role.

Putting things right

NBS has accepted that it didn't get things right to the extent I have mentioned above, and because of that it offered to compensate Mr and Mrs W with £200. That I think is fair. When our investigator suggested a further £150 ought to be paid, NBS agreed to do that. As Mr and Mrs W didn't think that was enough to put matters right, I've given this some further thought I think that a further sum of £150 is fair and reasonable. The total award is in line with awards this service makes and reflects the delays Mr and Mrs W experienced and the failure to advise specifically about the underwriter's role. We categorise compensation awards and examples of these can be found on our website.

My final decision

Nationwide Building Society shall pay Mr and Mrs W £350 in total to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 27 July 2023.

Jonathan Willis
Ombudsman