

## **The complaint**

Mr C complains about what happened when he asked National Westminster Bank Plc to remortgage his Buy To Let ("BTL") property. He said NatWest had agreed to keep a mortgage offer open for him, but then told him it had expired, and it would no longer lend.

## **What happened**

Mr C said he approached NatWest to remortgage a BTL leasehold property, with a relatively short lease period remaining. He said he'd asked NatWest before applying, and was told the remaining time on this lease wouldn't rule him out of NatWest's lending criteria. But NatWest then told him he had to extend the lease before it would lend to him.

Mr C said NatWest told him it would honour his original mortgage deal, if he got the lease extended. But then once this was done, NatWest changed its mind. It said it had to restart Mr C's application, and it told him this time he'd failed the credit check. So it would no longer lend to him. Mr C said he didn't understand that, as nothing had changed on his credit file.

Mr C said he'd paid for an unnecessary lease extension, which cost almost £2,000. And he could no longer get a mortgage at anything like the rate NatWest initially suggested. Mr C wanted NatWest to honour his original deal, and pay the costs of extending the lease.

NatWest said it didn't rule Mr C out of lending just because of the remaining term of the lease. But the valuation it received on the property in January 2022 put the value at nil (for lending purposes) because of the number of years remaining on the lease. NatWest said its valuers then confirmed that if the lease was extended, the lending value would be £200,000.

NatWest said in August 2022, it got confirmation that the lease had been extended, so it reconsidered Mr C's application. Because of the time that had passed, it needed to look at the whole application again. And it said, unfortunately, Mr C no longer passed its credit scoring.

Our investigator didn't think this complaint should be upheld. He noted that the nil valuation on Mr C's property was due to the lease, and NatWest said it would need to be extended for the application to go ahead. Mr C was initially reluctant to do this, he said it wasn't really worth it unless he was selling the property, but he eventually agreed.

When Mr C supplied details of the lease extension, in late August 2022, NatWest restarted his application, but said it then failed. Mr C said he wasn't told another application would need to be restarted after six months.

Our investigator said that it's important to remember that Mr C's mortgage had only got to the application stage, when the valuation was done. And the result of the valuation meant NatWest couldn't then proceed further until the lease extension was confirmed.

Our investigator didn't think NatWest did anything wrong by restarting Mr C's application, once the lease extension was done. He said we couldn't override NatWest's decision not to

lend. And he thought it was likely Mr C would've had to pay for the lease extension to get a mortgage from any lender. But our investigator said NatWest should have made Mr C aware that the application would need to be restarted after six months, and NatWest accepted it hadn't told Mr C this. So he said NatWest should pay Mr C £250 in compensation.

NatWest accepted that, but Mr C didn't. He replied to say that a payment of £250 was a complete insult from a bank which made £524 million in profit last year, and it didn't cover his losses. Mr C said this mortgage product did allow for a lease of 60 years, that's why he'd chosen NatWest. And he said NatWest wouldn't tell him why he'd failed the credit score, so he could address that.

Mr C said if he'd got the mortgage he originally applied for, he would be paying £163 a month fixed for the next 5 years. He told us he hadn't secured another fixed rate mortgage deal, and was now on a variable rate currently paying £583.98. He thought that was NatWest's fault.

Our investigator didn't change his mind. He said compensation awarded by our service isn't aligned to a business' profits, it's based on the circumstances of the complaint. And he said NatWest doesn't have to tell Mr C exactly why it didn't want to lend.

Mr C had asked for this complaint to be considered by an ombudsman, so the case was then 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.

Mr C said NatWest hadn't indicated that it would reject his application because of the length of the remaining lease on his property. But it doesn't look like NatWest did just reject the application because of this. Rather, it took account of what its valuer said, and relied on their professional opinion about the impact that this lease had on the property's value and resale prospects. NatWest itself isn't an expert on property values, and I don't think it's wrong for NatWest to rely on the professional advice it commissions. Here, I can see that NatWest discussed the issue further with its valuers, and said it would be able to continue with the application if the lease was extended.

NatWest's notes show Mr C wanted to be reassured that the previously agreed deal would go ahead, and an offer would be made, after the lease was extended. I can see NatWest said at the time that it hadn't made any offer to Mr C. But this was already more than three months after Mr C first made his application, and legal work like this can take some time. So, given the concerns Mr C had expressed, I do think it would have been helpful for NatWest to warn Mr C that his application would lapse after six months and would need to be restarted then.

NatWest has agreed to pay £250 in compensation for not managing Mr C's expectations at this point. Mr C thought NatWest should honour the mortgage deal he'd previously discussed with it. But Mr C hadn't secured an offer from NatWest before he extended his lease, and I can't see it had made any commitment to keep this deal in place for him.

NatWest then checked Mr C's application in full again when he did get the lease extended. It was more than six months since he'd previously applied, so I think it was reasonable for NatWest not to rely on the credit checks it did so long ago.

When NatWest checked again, it said Mr C no longer passed its credit checks. I know that Mr C would like to know exactly why that is, but it isn't unreasonable for NatWest not to share the detail here of exactly how it works out who it can lend to, and why he didn't pass at this stage.

Mr C also wanted NatWest to pay for the costs he incurred in extending his lease. But I do think the lease extension has a value for Mr C, as it increases the value of his property and should make it easier to get a mortgage deal in future. So I don't think it would be fair and reasonable for me to ask NatWest to pay for that.

In summary, I do think that the payment of £250 which NatWest has agreed to make would provide a fair and reasonable outcome to Mr C's complaint. So that's what I'll now award.

### **My final decision**

My final decision is that National Westminster Bank Plc must pay Mr C £250 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 October 2023.

Esther Absalom-Gough  
**Ombudsman**