

## The complaint

This complaint is about a mortgage Mr and Mrs C hold with Nationwide UK Plc. They're unhappy with the way Nationwide handled a further advance application they made in 2022 to raise money to repay their help-to-buy (HTB) loan. They say, in summary:

- Nationwide's affordability assessment ignored Mrs C's second income and instead insisted Mr C pay down some credit card balances.
- The offer contract contained a factual mistake about how much they owed on the HTB.
- Nationwide released the funds and then took the money back, by which time the original offer had expired.
- Nationwide refused to extend the offer and instead made them apply again, which resulted in the money being lent at a higher interest rate.

## What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in correspondence, so there is no need for me to repeat all of the details here. I will instead concentrate on giving the reasons for my decision.

In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs C being identified. So for these reasons, I will give a brief summary of the main points, rounding the figures, 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 and Mrs C started applying for the further advance in January 2022; following an online interview on 19 February 2022, Nationwide issued an offer on 27 February 2022, valid until 28 May 2022. The offer specified two conditions; on or before the release of the funds, £800 and £200 respectively were to be paid off two credit card balances, and £2 was to be paid off the HTB loan. In the case of the credit cards, these reductions were being made by Mr and Mrs C between offer and completion. In the case of the HTB loan, the £2 was a keying error; the entire loan balance of around £52,650 was being repaid in full from the further advance itself.

On 22 May 2022, Mr and Mrs C's solicitors (a firm I'll call "S") requested the funds from Nationwide. Nationwide released the money to S and opened up the further advance account. However, it seems S wasn't in a position to complete the settlement of the loan with HTB, and on 7 June 2022, the money was returned to Nationwide.

Nationwide was asked to reinstate and extend the February offer; by Mr and Mrs C on 16 June 2022 and by S the following day. However, by then, Nationwide's 15-day grace period had expired and it said no. A new application was made, and Nationwide issued a new offer in July 2022, but this contained the same error about the amount to be repaid on the HTB. The offer was amended and re-issued in August 2022, and this time the transaction completed as it was meant to.

But by now, interest rates generally had gone up, which means Mr and Mrs C are paying more for their further advance than they would have if they'd completed on the terms set out in the February 2022 offer.

Mr and Mrs C complained; they said it was unfair of Nationwide to insist on the credit card reductions when it could have taken Mrs C's second income into account. They said Nationwide should have honoured the interest rate in the February 2022 offer. They've also said the delay meant they've ended up renewing the interest rate on their main mortgage at a higher level too.

Nationwide largely rejected the complaint, but paid Mr and Mrs C £300 compensation for their time, trouble and upset. Our investigator thought Nationwide's response to the complaint was broadly fair, albeit he recommended a further £100 compensation. Mr and Mrs C have asked for it to be reviewed by an ombudsman.

### **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, my conclusions, and the reasons for them are as follows.

Having listened carefully to the recording of the further advance application call, I'm satisfied that reducing the credit card balances wasn't something Nationwide insisted on happening. It was something Mr and Mrs C told Nationwide they were intending to do in any event. In other words, it was their idea, and Nationwide merely captured it on the offer.

If Mr and Mrs C hadn't signalled their intention to reduce the credit card balances, I've no reason to consider that Nationwide would have incorporated it into the mortgage offer. It wasn't something Nationwide needed to see happen from an affordability perspective. It had assessed the proposed loan as affordable, based on Mr C's income and Mrs C's income, from her first job alone.

Clearly, recording the amount to be repaid on the HTB as £2 was a keying error. It shouldn't have happened the first time and certainly should have been corrected in the July 2022 offer. However, I'm not convinced it's material to the outcome of the complaint.

All of the involved parties knew that the intention was to clear the HTB in full; that was the very reason for the further advance being taken. It was an irritation, but in my view no more than that. In answer to Mr and Mrs C saying S warned them of serious legal consequences if they'd completed with the error in place, I'd merely remind them that S was apparently content to complete the transaction in May 2022 on the basis of the original offer containing that very same error.

Neither the release of the money nor its return was down to an error on Nationwide's part. Nationwide issued the funds in good faith when asked to do so, and played no part in the money being returned to it on 7 June 2022. By the time Nationwide was asked to pick up the transaction again, the 15-day grace period since the expiry of the mortgage offer had itself run out.

Nationwide was under no obligation to reinstate the offer on the February 2022 terms. It was fairly and reasonably entitled to underwrite the application afresh, and issue a new offer at a rate that was now applicable. It's unfortunate that, due to the upward trend in rates generally, their new rate was higher. But it's worth observing, for completeness, that Mr and Mrs C would not have complained at Nationwide insisting on re-offering at a prevailing rate if rates generally had fallen between February and August 2022.

I understand Mr and Mrs C wanted to wait until the further advance had gone through before renewing the interest rate deal on the main mortgage. However, I'm not persuaded the delay in the further advance had a detrimental impact on the renewal terms for the main mortgage. I say that because any new rate they took on the main mortgage before September 2022 would have resulted in them paying an early repayment charge to exit their existing deal. I'm satisfied Mr and Mrs C knew that, because it was covered extensively in the online interview of 19 February 2022. That aside, for the reasons outlined above, I haven't found Nationwide to be the cause of the further advance being delayed.

Nationwide paid Mr and Mrs C £300 compensation for their time, trouble and upset. Our investigator recommended it pay them a further £100. In all the circumstances, I think that's fair. If no payment had been made, I would not order more.

In conclusion, I appreciate the unwelcome situation Mr and Mrs C are in; but for the reasons I've set out, they're not in that position because of something Nationwide did or failed to do. That's why their complaint doesn't succeed, however much they would wish it to.

### **My final decision**

My final decision is that I uphold this complaint in part only. In full and final settlement, I direct Nationwide Building Society to pay Mr and Mrs C £100. I make no other order or award. 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 and Mrs C to accept or reject my decision before 19 July 2023.

Jeff Parrington

**Ombudsman**