

The complaint

Mr A and Mrs I complain that Nationwide Building Society initially indicated it would accept a mortgage application from them, but when they did apply, Nationwide changed its mind. Mr A and Mrs I said they wanted to know why.

What happened

Whilst this complaint is brought by both Mr A and Mrs I, as the application was in both their names, our dealings have been with Mr A. So I'll mainly refer to him in this decision.

Mr A said he and Mrs I had applied to Nationwide for a mortgage on 17 October 2022, with the support of a mortgage broker. He said Nationwide was initially positive about lending to him, its only concern was that an issue about the frequency of salary payments to Mrs I should be resolved. But then on 1 November Mr A said his broker told him that Nationwide had turned down his application. Nationwide didn't say why.

Mr A said his broker had then been told that Nationwide had concerns over his second job, but no one had told him what the concern was. Mr A said he felt helpless, and wanted to know why the application had been turned down. Mr A also felt Nationwide should compensate him and Mrs I for their losses.

Nationwide said that Mr A and Mrs I didn't meet its internal lending criteria at the time. It said it was sorry, but it couldn't provide a specific reason for the decline. But Nationwide didn't think it had made a mistake, and it wouldn't uphold Mr A and Mrs I's complaint.

Mr A said he'd paid a fee for the mortgage broker, he'd paid lawyers' fees, and interest rates were going up during the time Nationwide was considering his application. And he said he'd indicated to his landlord that he would be moving. He wanted to know why he'd been turned down, and if there was anything wrong with his credit file, then he could sort it out. So he asked us to look into things.

Our investigator didn't think this complaint should be upheld. He said the decision whether to lend is a commercial one which we wouldn't generally interfere with. Nationwide can set its own lending criteria and determine what it will consider in making a lending decision. But we can look at whether Nationwide have acted fairly in assessing Mr A and Mrs I's application.

Our investigator said that the information submitted for this application was reviewed by a senior risk underwriter in the back office at Nationwide, as part of its standard application checks. Unfortunately, the application failed these checks on 28 October 2022. Mr A and Mrs I's mortgage broker was made aware of this on 31 October. No details were initially given on why the application failed. Mr A said his broker had since been told this was due to concerns with his second job.

Our investigator said Nationwide doesn't have an obligation to provide a full and exhaustive explanation as to why a mortgage application wasn't approved, as these decisions are based on commercially sensitive information. Here, the senior risk underwriter's notes had

been supplied to our service in confidence, and our investigator considered them. He felt Nationwide had carried out a fair review. The concerns raised were reasonable, and fairly led to the decline. Mr A and Mrs I hadn't been treated differently to any other applicants.

Our investigator said he understood Mr A and Mrs I wanted more details, but he was unable to provide those. He said if details like this were made public on how Nationwide internally reviews information given, then it opens up opportunities for fraud on future applications.

Our investigator said there were no unreasonable delays in considering Mr A and Mrs I's application, or in informing them of the outcome. He couldn't hold Nationwide responsible for the increased interest rates in the lending market, it had made a decision on their case in a reasonable time frame, enabling them then to look elsewhere for the best rates available.

Mr A wrote to object. He wanted to know what had caused Nationwide to change its mind about lending to him. Mr A felt he was entitled to this information, as it was about him. He said he'd incurred costs from the failed application, and it had caused his family considerable stress at an already difficult time. Mr A said he then applied elsewhere, and was accepted right away, but was now paying a higher interest rate because of the delay this first, failed application caused.

Our investigator didn't change his mind, and he said we wouldn't share the information received in confidence about Nationwide's underwriting decisions.

Mr A still wanted either to know where his application had failed, or for Nationwide to just cover the costs its unfair decision has caused. But our investigator still didn't think what Nationwide had done was unfair. Because no agreement was reached, 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.

Mr A wanted to know why his mortgage application was declined, after Nationwide initially agreed to lend. But the decision in principle that Mr A received before he made his application was always subject to further, much more in-depth consideration. And it's not unusual for a lender to change its mind at the application stage. This, by itself, isn't a sign that this lender has been unfair or unreasonable here.

Nationwide's underwriting considerations are confidential, for the reasons that our investigator explained. But here, Nationwide has provided evidence of its considerations. It said it was sending this information to our service in confidence.

The rules that govern our service do allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen.

I should note that this is not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it.

Here, I do think the information is sensitive, and on balance I don't believe it should be disclosed. But it's also material to the issue of whether Mr A and Mrs I were treated fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

So I have considered the factors which the underwriter weighed up in this case, and set those in the overall context that Nationwide isn't obliged to lend to Mr A and Mrs I, but is obliged to treat them fairly and reasonably. And here, I think Nationwide has reached a fair and reasonable decision on the information in front of it.

I also note that Mr A and Mrs I's application was given reasonably prompt consideration, and the decision Nationwide made was then also communicated to them reasonably quickly. So I don't think Nationwide caused undue delay in considering and responding to this application.

I know Mr A and Mrs I then managed to obtain the lending they wanted elsewhere, but that doesn't make me think Nationwide's decision was wrong. Each lender applies its own criteria, and reaches its own decisions on lending requests. Outcomes can differ. Because I don't think Nationwide did anything wrong here, I don't think it would be fair and reasonable to ask Nationwide to contribute towards any higher rate Mr A and Mrs I are paying now.

I recognise that this will be a frustrating outcome for Mr A in particular, as he's been very clear that his goal in this case is to find out exactly why his application was refused. However, I've explained the reasons above why I don't think it would be appropriate for me to share that evidence in full. I hope Mr A and Mrs I will feel able to accept my reassurance that I have considered this in detail, and I don't think Nationwide has been unfair or unreasonable, or that it has treated them differently from any other customers.

I appreciate that Mr A and Mrs I will be disappointed by my decision, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs I to accept or reject my decision before 30 March 2024.

Esther Absalom-Gough

Ombudsman