

The complaint

Mr P complains that National Westminster Bank Plc delayed dealing with his application for a buy to let mortgage. He says it unfairly declined his application and gave contradictory and incorrect reasons for doing so. Mr P asks that NatWest offers a mortgage at the interest rate he applied for or pays compensation for his higher borrowing costs.

What happened

Mr P applied for two buy to let mortgages with NatWest in August 2022. One application was successful. NatWest declined the other application in November 2022. It said this was due to credit scoring. Mr P says this was unfair and meant he missed out on the interest rate he wanted.

NatWest accepted it caused delays and paid £500 compensation.

Our investigator said NatWest considered the application fairly. She said while NatWest caused delays £500 was fair for the inconvenience this caused.

Mr P didn't agree. He said if NatWest didn't disclose how it credit scores applications he can't know if it relied on correct information. He queried why the first application was successful and the second application was declined when his circumstances hadn't changed. He suspects this was because NatWest didn't want to honour the fixed rate after interest rates started to rise.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr P says his circumstances didn't change between NatWest approving one application and declining the other. He pointed out these were re-mortgages, so his indebtedness didn't change. And his re-mortgage with NatWest reduced the interest rate he was paying. He says his mortgage adviser had checked affordability before making the applications. Mr P says some of the statements made by NatWest were contradictory or unintelligible.

NatWest's staff did suggest some confusing and incorrect reasons as to why the application might have been declined. This included a suggestion that Mr P had a large unsecured loan and a comment about Mr P's residential property (I agree it's difficult to work out what this comment was intended to mean).

It's frustrating that NatWest gave Mr P and his broker incorrect (and unintelligible) reasons for declining the application. That doesn't mean it was unfair for NatWest to decline the application. NatWest said the application failed because it didn't meet its minimum credit

scoring requirement. NatWest provided evidence to us that this was the reason for the application being declined.

There's no requirement for NatWest to offer a mortgage – or two mortgages – to Mr P. Like all lenders NatWest is entitled to make a commercial decision about its lending criteria. This includes, amongst other things, internal credit scoring. While Mr P says he has an excellent credit score with the credit reference agencies, information from credit reference agencies forms only part of NatWest's credit scoring. NatWest said Mr P had a high level of debt relative to his income. This would have been the case with the first application. But again, this would only be part of the information taken into account in credit scoring. I can't fairly require NatWest to set out all of the information it takes into account or provide more detail about its credit scoring process to Mr P. This is commercially sensitive information.

I understand Mr P's frustration. He can't check the information used for NatWest's credit scoring and so he can't be sure that it's correct. The confusing comments made by NatWest about the possible reasons for the decline would have added to Mr P's concerns about this. But, as I said, I can't fairly require NatWest to provide more information to Mr P about its credit scoring process.

I can't fairly find that incorrect information was used in the credit scoring process without evidence this was the case. I can't fairly find that both applications should have been approved simply because one of them was.

NatWest made errors which caused delays with the application being processed. It says its lending criteria didn't change during the delay. It's possible that wider changes in the economy and interest rates affected the application, especially given NatWest's comment about Mr P's indebtedness. But I don't think I can fairly find that Mr P's application would have been successful if there hadn't been delays. I don't think it's fair and reasonable to require NatWest to offer Mr P a mortgage or pay compensation based on Mr P missing out on the rate NatWest was offering in August 2022.

Mr P took out a new tracker product with his existing lender. We asked for evidence of the rates offered by Mr P's lender in September 2022. The lender wasn't offering a lower tracker rate in September 2022 than the rate Mr P took out. Mr P says he chose a tracker product as he wants the flexibility to switch products or re-mortgage without paying an early repayment charge.

Having been successful with one application Mr P expected the other application to succeed. However, there's no guarantee that a lender will offer a mortgage. Mr P has several buy-to-let mortgages so I think he's aware of this.

Mr P might have taken out a fixed rate product with his existing lender (or elsewhere) if he'd known sooner that his application to NatWest would be declined. But for me to find it fair to require NatWest to pay compensation for additional interest costs I'd need to find that he would have done so. I'd need to know what product he'd have secured and the overall cost of this product as compared to the product Mr P has actually taken out. These are matters I can't be certain about, especially as Mr P chose a tracker product and says he might switch or re-mortgage before the product expires.

I'm sorry that I can't give Mr P more detail as to why his application was declined, other than it didn't pass NatWest's credit scoring. For the reasons I've explained, I can't fairly require NatWest to offer Mr P a mortgage or pay compensation for his mortgage being on a higher rate than he'd hoped for. But I do think it's right that NatWest paid compensation for the delays with the application. I think, in the circumstances, £500 compensation for the inconvenience caused by the delays is fair and reasonable.

My final decision

My decision is that I do not uphold this complaint. That's because I find the compensation paid by National Westminster Bank Plc is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 March 2024.

Ruth Stevenson
Ombudsman