

The complaint

Mr G complains that the advice he got about mortgages from National Westminster Bank Plc prior to his formal application, was quite wrong, and NatWest wouldn't lend him the amount he needed to buy his new home.

What happened

Mr G was looking to move home, and he said he'd been speaking to a personal banker at NatWest about mortgages for some time. He said when he remortgaged, the personal banker told him he could port his new NatWest mortgage.

Mr G said he'd discussed his financial position with the personal banker, and she'd told him how much he could borrow, as well as offering advice on improving his chances of securing the lending. Mr G said the personal banker told him the amount he could borrow might vary slightly, based on how much he said he was paying towards support for a child that doesn't live with him, but it was around £100,000.

Mr G said he'd made plans based on this advice, he accepted an offer on his house and chose a new home he wanted to move to. He said he doesn't actually have to make any regular payments for child support, but he'd discussed with the personal banker what amount of child support to declare, and that he should clear his car finance to improve his chances of securing the borrowing he wanted. And his salary had increased a little, so he thought he was in a strong position. He then received an agreement in principle, on 29 March 2023, to lend him £99,000, which was enough to secure the home he wanted.

On 12 April Mr G had a video call to sort out his mortgage, and he said he was very disappointed to find that NatWest was treating his child as a financial dependent, which significantly reduced how much he could borrow. Mr G was offered around two-thirds of the amount he needed. Mr G said the mortgage advisor told him the advice he'd been given previously was completely wrong, and he couldn't just assign an amount to child support.

Mr G said he'd had to pay £500 to secure a mortgage through a broker, and around £2,100 as an Early Repayment Charge ("ERC") on his NatWest mortgage. He also said that interest rates had gone up in this time, and he could have avoided paying the higher rates if he'd gone with a different lender from the start.

NatWest said its personal banker had carried out an affordability check for Mr G on 29 March, and produced an agreement in principle. That suggested he could borrow the amount he needed to buy his new home. But NatWest said Mr G wasn't speaking then to a mortgage advisor, just a personal banker, who would only look at the initial affordability checks then make an appointment for Mr G to speak with a mortgage advisor.

NatWest said when Mr G did speak to a mortgage advisor, they carried out much more detailed checks. There was some variance in the assessment of Mr G's child maintenance arrangements, and NatWest said it wasn't able to lend the full amount that Mr G wanted.

NatWest said it had informed Mr G that he would need to pay an ERC if he moved his

mortgage before his existing deal had ended, and it said that he'd chosen to go ahead with his purchase knowing this. So it wouldn't refund the ERC he had paid, or contribute towards any additional costs that Mr G had to pay now.

NatWest paid Mr G £100 in compensation. It said this was because Mr G had received some poor service. He'd messaged his personal banker after he spoke to the mortgage advisor, and she'd not replied.

Our investigator didn't think this complaint should be upheld. She said the discussions Mr G had with the personal banker were only an initial light-touch check to see whether NatWest was prepared to lend, and if so, how much. That's what the agreement in principle does, it sets out how much NatWest may lend, but it's based on a number of conditions. It is clearly subject to confirmation through a full mortgage application

Our investigator said the full mortgage application is far more detailed, and that was when Mr G found out NatWest wouldn't lend the amount it had first suggested. Our investigator said she understood the difference came about because the mortgage advisor had set out how Mr G's child was considered for the purposes of the application, but it wasn't the role of the personal banker to advise Mr G on this.

Our investigator thought the £100 that NatWest paid for poor service was a fair and reasonable amount.

Mr G didn't agree. He said the point of his complaint was that a staff member who works for NatWest didn't have the basic knowledge about mortgage applications, and had given him wrong information. Mr G said he'd trusted her advice. If she'd been clear from the start about Mr G's financial responsibilities, then he would have been able to consider other options.

Our investigator didn't change her mind. She said that a mortgage application is complex, and it wasn't unreasonable for a member of branch staff not to know all about it.

NatWest also contacted our service again, as it had located the call Mr G had with the mortgage advisor. It sent us this, and said this made clear that the mortgage adviser had more knowledge around whether to include Mr G's child in the mortgage calculations or not.

NatWest said it had checked its own internal guidance, and the personal banker couldn't have known how NatWest would want Mr G's child to be taken into account. NatWest said it would look to raise this issue internally. However, it said that Mr G received his agreement in principle in late March, and was told the true position around two weeks later, so if he was working on the wrong basis, that was only for two weeks. And NatWest said the lending decision wasn't wrong. Mr G then decided to go ahead with his purchase anyway, so the costs for that were something he'd decided to incur.

This case then came to me for a final decision. And I reached a provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I don't think it's NatWest's fault that Mr G decided to go ahead with this purchase, with a mortgage he obtained elsewhere. I haven't been able to see that Mr G was legally committed to this purchase before he spoke to NatWest's mortgage advisor. And even if he was, I note that the agreement in principle that NatWest shared with us included the following provisions –

“Please remember this amount is only on indication and is not a formal quotation or commitment to lend.”

“In order to confirm this amount you'll need to go through the advice application process. Once you've found your new home and you're ready to apply, just visit your branch to make an appointment with a Personal Mortgage Advisor”

I don't know if Mr G also received other agreements in principle before the one issued in late March, but if he did, I would expect them to contain the same warnings. So I think NatWest was clear that an agreement in principle wasn't a commitment to lend, and Mr G shouldn't commit to a purchase before talking to its mortgage advisor, and confirming the lending amounts.

But I do think there is some force in Mr G's argument that he wasn't in a position to know that advice given to him by a personal banker was wrong. It's not clear that Mr G was ready to make a formal mortgage application any earlier than he did. But even if he wasn't ready for that discussion earlier, it does appear as if the personal banker became rather more involved in dealing with Mr G's mortgage related queries than I would usually expect.

NatWest told us the personal banker ran 13 different sets of pre-application checks for Mr G's eventual mortgage. Mr G also told us the personal banker had told him to clear his car loan, to improve the prospects of lending. And it appears from the communications between the personal banker and Mr G that I have seen, that Mr G had understood there was considerable flexibility around what he could declare as a contribution to supporting his child.

So, overall, it does appear as if Mr G had rather more extensive discussions with his personal banker about his mortgage, than I would usually expect to see. And it appears that, in this case, that gave Mr G a mistaken impression about how the process would work, as well as how much he would be able to borrow. I think that may well have been well intentioned, but I do think it was an avoidable mistake on NatWest's part.

I don't think that means NatWest had to lend Mr G the amount he'd expected, from the agreement in principle. I think that document is clear that it isn't a commitment to lend. And I don't think NatWest has to compensate Mr G for the extra costs he incurred because he decided to go ahead with his purchase anyway, and remortgage elsewhere. But even if Mr G wasn't yet ready to make his formal mortgage application when he was speaking to the personal banker, he ought not to have been given the impression that he would simply be able to choose the financial commitment that NatWest would apply in respect of his child.

I don't think the payment NatWest has made to date, fully reflects the impact of the mistaken advice that Mr G was given. I think NatWest should pay Mr G an additional

£250 for that mistaken advice, in addition to the payment of £100 it has already made for poor service.

I invited the parties to make any final points, if they wanted, before issuing my 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.

NatWest told our service it had nothing further to add. Mr G didn't reply to my provisional decision.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that National Westminster Bank Plc must pay Mr G £250 in compensation, in addition to the £100 it has already paid.

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

Esther Absalom-Gough
Ombudsman