

The complaint

Mrs J complains that Nationwide Building Society (“Nationwide”) failed to treat her fairly when she applied for a loan in December 2023.

What happened

I issued a provisional decision on this complaint in June 2024. In that decision I explained why I thought the complaint should be upheld and what Nationwide needed to do to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mrs J has been a customer of Nationwide for many years. At the time of her application for this loan she was already repaying some other borrowing to the building society. She called in December 2023 to request a top up to her existing loan, and to extend the term of her repayments to five years.

When she made this application Mrs J had 35 repayments outstanding on her previous loan. She asked to borrow an additional £4,000 and repay all her borrowing over a term of five years. She told Nationwide that she had tried, and failed, to make her application online, but Nationwide explained that it could deal with her application on that call.

After gathering some information about Mrs J’s financial circumstances Nationwide started to generate some loan quotations for Mrs J. It first told her about a loan, consolidating her existing borrowing, to be repaid over five years. It gave Mrs J information about her monthly repayment, the interest rate applicable, the amount of interest she would need to pay, and the total amount she would pay over the five-year term. It provided similar information about a loan for £4,000 over five-years that would run alongside her existing borrowing.

Nationwide then looked at whether it could offer any alternative borrowing to Mrs J at a lower rate of interest. It told her it could offer her a consolidated loan over a repayment term of four years. Nationwide told Mrs J what her monthly repayment would be on that loan, but didn’t provide any of the additional information that was set out for the loans over a five-year term.

Mrs J expressed some disappointment at the interest rates that she had been offered. But later told Nationwide that she wanted to proceed with the loan. Nationwide offered to recap the borrowing information, but Mrs J said that would be unnecessary since she had already written all the information down. Nationwide then approved Mrs J’s application and told her it would send her the loan agreement for signing by email.

When Mrs J checked the loan agreement she noticed that the loan had been set up over a four-year repayment term, rather than the five-year term she’d wanted. She called Nationwide to request the loan term be amended. But Nationwide explained that it was unable to change the term once the loan had been set up. It told Mrs J

that her only option would be to decline that offer and make a new application. But it warned her that a new application might not be approved given the previous application would remain on her credit file. Mrs J has given us an email sent to her by the original advisor apologising for her error in setting up the loan with an incorrect term.

Mrs J says that she needed to borrow the money so was left with little choice but to take the loan over a four-year period. But she says she was advised to make a complaint as that might result in the loan term being amended.

Nationwide didn't agree with Mrs J's complaint. It said that it though Mrs J had agreed to the four-year term during the phone call. It said it was Mrs J's choice whether or not to accept the offer of the four-year term. But Nationwide said it agreed there seemed to have been some confusion over the loan term that shouldn't have happened. So it offered Mrs J £75 for the inconvenience she'd been caused. Unhappy with that response Mrs J brought her complaint to us.

In deciding this complaint I have listened carefully to a phone call that Mrs J made to Nationwide on 23 December 2023 when she requested and was approved for her loan. I haven't been provided with recordings of any calls that Mrs J had with Nationwide when she discovered the problems with the loan term. But, as I will now go on to explain, I don't think those calls influence the decision I am reaching on this complaint. Both Mrs J and Nationwide appear to agree the broad outline of what was discussed on those later calls.

It seems to me that the key area of dispute between Mrs J and Nationwide is what was agreed on the initial call, in relation to the loan term. And I think reaching a conclusion on that point will lead me to a reasonable outcome on this complaint.

When Mrs J first discussed the loan with Nationwide she said that she wanted it to be repaid over a term of five years. And that was the basis of the two detailed quotations that Nationwide provided to Mrs J. As I set out in my introduction, for the two options on a five-year loan (consolidating the previous borrowing or standalone) Mrs J was given information about her monthly repayment, the interest rate applicable, the amount of interest she would need to pay, and the total amount she would pay over the five-year term.

But Nationwide also suggested that Mrs J consider a loan over a four-year term as it would be offered at a slightly lower interest rate. It told Mrs J what her monthly repayment would be for that loan – the monthly repayment was around £58 higher than the comparative loan over a five-year term. But, I think importantly here, Nationwide didn't provide any additional information to Mrs J about that loan such as the amount of interest she would need to pay, and the total amount she would pay over the four-year term. I think that might have indicated to Mrs J that a loan over the shorter term was only being offered for comparison purposes rather than being under active consideration.

I accept that it was unclear, on the phone call, exactly which loan term Mrs J accepted. She simply told Nationwide that she wanted to proceed with the loan. Nationwide did offer to repeat the loan information – and that would have resolved any misunderstanding. But it accepted Mrs J's assurance that she had written all the figures down and was happy with them. But I am entirely satisfied that Mrs J's expectation was that she was applying for a loan over a five-year term.

And I also think a five-year term was what the advisor from Nationwide understood to have been Mrs J's preference. When the mistake was identified, that advisor sent an email to Mrs J to apologise for the error. I think it important to reproduce that email verbatim – it said;

I am so sorry this was my mistake as we were looking at 4 and 5 years I have not went back and changed this too 5yrs. I have made my manager aware of this and from now on I will make sure I re read the figures before going ahead. I will let the complaint team know that this was my error and that we are unable to amend this.

I have considered that Mrs J ultimately accepted Nationwide's offer of the loan over a four-year term. But I think I need to bear in mind the basis upon which that offer was accepted. As I will now go on to explain, Mrs J's acceptance of the loan with the shorter term doesn't persuade me that was what she wanted, or was happy with.

When Mrs J raised the problem with Nationwide it told her that she could reject the loan offer and make a new application. But it explained that there was no guarantee a new loan application would be approved, particularly given the previous application would remain on her credit file.

I don't know how important it was for Mrs J to receive this loan. But I am mindful that Nationwide had told her before agreeing the first loan that, if she was unhappy with the interest rate, she could apply the following month and might receive a better rate. Mrs J didn't take up that offer, despite the interest rate being higher than she had expected. So it seems to me that Mrs J had a pressing need for the loan and couldn't take the risk of a new application being rejected. And so that was the only reason she accepted the offer with a four-year term.

I'm not persuaded that Nationwide has treated Mrs J fairly. I cannot be certain that a loan application would have been approved over the five-year term. But, on balance, I think that approval would have been very likely. Mrs J had already received a soft approval for the loan over a five-year term. And the repayments she would need to make each month were lower than those Nationwide agreed on the shorter loan. So on balance, I think that had nothing gone wrong Mrs J would have been offered, and accepted, a loan on a five-year term. So, subject to any further representations on this provisional decision, I intend to direct Nationwide to put things right for Mrs J.

It seems to me that this problem will have caused distress and inconvenience to Mrs J. For an extended period she has needed to make loan repayments in excess of those she wanted to make. And it seems she has been caused to question her lengthy banking relationship with Nationwide. So I additionally intend to direct Nationwide to pay Mrs J £250 as compensation for the distress and inconvenience she has been caused.

I invited both parties to provide me with any further comments or evidence in response to my provisional decision. Nationwide hasn't provided us with anything further. Mrs J has said that she accepts my provisional findings.

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.

As I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs J and by Nationwide. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Given that neither party has provided me with any new evidence or further comments I see no reason to alter the conclusions I reached in my provisional decision. It follows that I'm not persuaded that Nationwide has treated Mrs J fairly. I cannot be certain that a loan application would have been approved over the five-year term. But, on balance, I think that approval would have been very likely. Mrs J had already received a soft approval for the loan over a five-year term. And the repayments she would need to make each month were lower than those Nationwide agreed on the shorter loan. So on balance, I think that had nothing gone wrong Mrs J would have been offered, and accepted, a loan on a five-year term.

And I still think that this problem will have caused distress and inconvenience to Mrs J. For an extended period she has needed to make loan repayments in excess of those she wanted to make. And it seems she has been caused to question her lengthy banking relationship with Nationwide. So I will additionally direct Nationwide to pay Mrs J £250 as compensation for the distress and inconvenience she has been caused.

Putting things right

I think that, had nothing gone wrong, Mrs J would have been offered, and accepted, a loan over a five-year repayment term. So, Nationwide should do the following in order to put things right,

- Reconstruct Mrs J's loan to reflect the terms she was offered for the five-year consolidated borrowing.
- Reconstructing the loan will mean that Mrs J has made repayments in excess of those required on the new loan. Any excess monthly repayments should be refunded to Mrs J.
- Add interest of 8% simple a year on any part refunds of repayments from the date they were paid (if they were) to the date of settlement. HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mrs J a certificate showing how much tax it's taken off if she asks for one.
- Pay Mrs J £250 for the distress and inconvenience she has been caused.

My final decision

My final decision is that I uphold Mrs J's complaint and direct Nationwide Building Society to put things right as detailed above.

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

Paul Reilly
Ombudsman