

The complaint

Mr R complains that he was unable to take out additional mortgage borrowing due to National Westminster Bank Plc failing to remove a charge from his property title. He asks that NatWest compensates him for the higher cost of an unsecured loan.

What happened

Mr R had a secured loan with NatWest which he repaid in 2019. In 2021 Mr R asked his mortgage lender for additional borrowing of £25,000. This was to buy a car and pay for building work to his property. Mr R says the mortgage lender told him NatWest had a charge on the property and it wouldn't proceed with the application until it was removed. Mr R says he couldn't wait for this and took out an unsecured loan.

NatWest accepts that it should have removed its charge when the loan was repaid in 2019. It offered £500. It said it would consider compensation for financial loss, if Mr R provides evidence.

Mr R says the unsecured loan, which has an interest rate of 5.74%, will cost him about £10,000 more than the additional mortgage loan (he applied for a 2.99% product). Mr R says NatWest should compensate him for this.

Our investigator said there was no guarantee the mortgage lender would have offered the additional borrowing. She said £500 was fair compensation in the circumstances.

Mr R didn't agree. He said the mortgage offer was approved before the problem with the charge stopped the process. He said he didn't start a new application after the charge was removed as he'd already taken out the unsecured loan.

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 accepts that it made an error. It didn't remove its charge when Mr R repaid his loan in 2019. This caused problems when Mr R wanted to take out additional mortgage borrowing in 2021. What I need to decide is what NatWest should do to put matters right.

Mr R made an on-line application to his mortgage lender on 20 April 2021. He received a mortgage illustration and a confirmation message. This said that his application had been provisionally accepted and the mortgage lender would contact him with details of the information it would need from him to support the application. The mortgage illustration says *"we will give you a binding offer as part of your mortgage agreement after your application has been approved"*. I think it's clear that this wasn't an offer to lend – it was the start of the application process.

The mortgage lender sent Mr R a message on 23 April 2021 saying he didn't meet its criteria for an online application. It said it would contact him to arrange an advised service. The

message doesn't mention the charge. But I've listened to a recording of a call between the lender and Mr R in August 2021 in which the lender suggests this was the reason the online application couldn't proceed.

The application didn't proceed due to NatWest's charge on the property. But that's not the same as finding that the mortgage lender would certainly have offered the loan but for the charge. The application process started on 20 April 2021 and stopped on 23 April 2021. It's unlikely the lender completed its affordability and other checks within that timeframe, and there's no evidence that it did. In fact, the documents issued by the mortgage lender say it would ask for information and a binding mortgage offer would be issued after the application had been approved.

Mr R contacted NatWest on 23 April 2021 to ask for the charge to be removed and to raise a complaint. NatWest told Mr R it would release the charge and this could take up to five working days. It said it was an electronic process and the Land Registry would receive automated instructions to remove the charge.

Mr R contacted his mortgage lender again on 20 May 2021. He said the charge had been released and asked if he could go through the application again. Mr R says he was told the lender couldn't proceed until its own systems showed the charge as released.

NatWest wrote to Mr R on 2 June 2021 to confirm the charge had been removed. The mortgage lender also wrote to Mr R on 2 June 2021 to confirm the second charge had been removed from its system.

In August 2021 Mr R's mortgage lender called him and said he could now proceed with an application, either online or with an adviser. The reason for the delay was that the adviser had been away from work with Covid-19. Mr R says he decided not to go ahead with additional mortgage borrowing as this would require a new, more onerous application and he already had the unsecured loan.

If Mr R says his preference was to take out additional mortgage lending. Mr R says he took out the unsecured loan as he couldn't wait for NatWest's charge to be removed. It seems Mr R entered into the unsecured loan on or before 26 April 2021 – this is the date of the lender's email which says it attached the "completed loan agreement that you and we have entered into". This was only four working days after Mr R started the application for additional mortgage borrowing. I don't think I can fairly find that Mr R's mortgage lender would have offered additional borrowing within a similar timeframe even if the charge hadn't been a problem. In effect, if Mr R needed funds within this timescale, it's likely he'd still have had to take out the unsecured loan regardless of NatWest's error with the charge.

From what Mr R has said he couldn't wait for the funds. I appreciate that Mr R didn't know at that time how long it would take for the charge to be removed. NatWest gave him more information about this in late April 2021. But if Mr R could have waited longer for the funds and decided not to, I don't think it would be fair and reasonable to require NatWest to pay compensation for any costs resulting from this decision.

Taking all this into account, I don't think I can fairly find that Mr R's application for additional mortgage borrowing would have been successful with the funds available within his timescales if it hadn't been for the charge. It follows that I don't think it's fair and reasonable to require NatWest to pay compensation for any additional costs due to Mr R taking out an unsecured loan instead.

This matter did cause Mr R inconvenience and worry. Mr R has told us about his personal circumstances at this time. Having to deal with the removal of the charge would have caused

additional worry and inconvenience at what must have been a difficult time. I think £500 is fair and reasonable compensation for this.

My final decision

My decision is that National Westminster Bank Plc should pay £500 to Mr R, as it offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 August 2024.

Ruth Stevenson
Ombudsman