

The complaint

Mr D complains that Nationwide Building Society has unfairly refused to allow him to borrow the amount he requires. As a result of its refusal, he says he will incur an early repayment charge (ERC) when he redeems his mortgage.

In order to put matters right Mr D wants Nationwide to either:

- waive the early repayment charge he will incur if he doesn't port his existing mortgage product to a new property; or
- allow him to borrow the amount he requires.

What happened

Mr D holds a mortgage with Nationwide. The outstanding mortgage balance is around £350,000. In May 2023, Mr D applied for a two-year fixed rate product. Mr D says that when he took out the product he explained to Nationwide that he intended to move home in the near future and wanted to be able to port the mortgage product. Mr D says he was told he would be able to port the mortgage product *'without any issue'*.

In early 2024, Mr D contacted Nationwide about taking out a new mortgage and porting his existing mortgage product. Mr D wanted to borrow a total of £700,000. Nationwide said it would be prepared to lend a total of £618,600.

Mr D complained to Nationwide. He said he felt a mortgage of £700,000 was affordable and he said other lenders were prepared to lend the amount he required.

Nationwide did not uphold Mr D's complaint. It said it was willing to lend up to £618,600 based on Mr D's personal and financial circumstances.

Our investigator said he didn't think Nationwide had acted incorrectly in this matter and he didn't think the complaint should be upheld. He said he thought Nationwide had considered Mr D's application fairly and in-line with its lending policy.

Mr D was not satisfied with our investigator's view and asked for his complaint to be determined by an ombudsman. He reiterated his view that he felt Nationwide was treating him unfairly and he said he had been able to secure the level of borrowing he required with another lender.

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.

Having done so, I don't think Mr D's complaint should be upheld. I'll explain why.

There is no requirement on the lender to agree to lending requested by a customer. Even when a customer has borrowed from the lender before, there is no automatic entitlement to

borrow again. However, a lender must treat its customers fairly. This means that any application for new borrowing is assessed in accordance with the lender's lending criteria and takes account of the relevant mortgage regulations which include considering what is in the customer's best interests.

Nationwide said that it was not satisfied that the level of borrowing Mr D had requested was affordable. As a responsible lender it is required to ensure that any borrowing it agrees is affordable for the customer both at the time the loan is agreed and for the foreseeable future.

I appreciate that Mr D says he has been able to secure the level of borrowing he requires with another lender, but this doesn't mean that Nationwide should agree to lend Mr D the amount he requires. Lenders are entitled to set their own lending criteria, and in this instance, Nationwide is not willing to agree to the level of borrowing Mr D requires. It has, however, provided a decision in principle that it is willing to lend Mr D up to £618,600.

Mr D says he feels Nationwide had '*... a responsibility to explain when I take out the product that in the event I need to extend borrowing (which I clearly said I would need to do before the end of the term), in all likelihood they would offer me far less than any of their competitors. They didn't do this, they simply advised that I could extend borrowing and then failed to offer the sum required.*'

I do understand Mr D's strength of feeling on this matter, but I must take into account that the mortgage offer for the product switch that Mr D accepted, dated 23 June 2023, set out, under the heading '*Porting*':

You have the right to transfer this product to a new mortgage with Nationwide on another property.

However, your application will be subject to the lending criteria at that time.

If a new mortgage is agreed, you can keep this product and its existing features, but any overpayment reserve you have built up cannot be transferred.

An early repayment charge will not apply if you transfer the remaining balance and terms of this product to your new mortgage on the same day as you repay this one.

If you need to borrow more money, you'll need to apply for one of Nationwide's products available at that time, subject to the lending criteria.

(Bold is my emphasis)

As I explained above, Nationwide like all lenders, is entitled to set its own lending criteria. Lenders' criteria are commercially sensitive and not usually made public. As this is the case, I can't reasonably say that Nationwide should have told Mr D that if he wanted to borrow more in the future it might not be prepared to lend as much as another lender. Nor can I reasonably find that Nationwide could have known that this might be the case.

Likewise, as Nationwide is willing to let Mr D port his mortgage product to a new property, although it isn't willing to lend as much as Mr D would like, I can't reasonably require it to refund the ERC he will incur if he redeems his mortgage with Nationwide. I have reached this view as I am satisfied that the product switch offer Mr D accepted clearly set out that an ERC would be payable if he redeemed his mortgage before the end of the fixed rate term and did not port the product to another property. It also explained that any application would be subject to its lending criteria at the time and did not guarantee to lend the amount requested.

I do understand that this is not the decision Mr D was hoping for, but I cannot reasonably find that Nationwide has acted incorrectly in this matter.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 September 2024.

Suzannah Stuart
Ombudsman