

The complaint

Mr B complains that Nationwide Building Society unfairly declined his application for further borrowing.

What happened

Mr B holds a mortgage with Nationwide which he took in 2018. On 19 February 2024, Mr B applied for additional borrowing for home improvements.

An independent valuation of Mr B's property was carried out on 27 February 2024. Following the valuation being received, Nationwide declined any additional borrowing and Mr B was informed of this on 1 March 2024.

Mr B complained. He said, in summary, there was sufficient equity in his property, and he'd made significant overpayments since the mortgage had begun. Nationwide didn't uphold the complaint. It said it had made a legitimate decision not to offer further borrowing following the mortgage valuation being completed. Unhappy with this response, Mr B referred his complaint to our Service.

One of our Investigators looked into the complaint. She initially thought that Nationwide hadn't fairly considered Mr B's application. She said that Nationwide should've given Mr B more information about why the application had been declined, and she wasn't persuaded that it had applied its lending policy fairly.

Nationwide responded to our Investigator in detail, providing further explanation behind its rationale in declining the further borrowing. Our Investigator considered this information and issued a follow up opinion. In this, she explained she was now persuaded that Nationwide had correctly and fairly applied its lending criteria in this situation, however she maintained that Nationwide ought to have explained in more detail why it had declined Mr B's application for further borrowing. She recommended Nationwide pay £300 compensation to resolve the complaint.

Nationwide accepted this, but Mr B didn't. He said, in summary, that Nationwide had been willing to lend to him in 2018, so it should demonstrate what had changed between then and his application for further borrowing in 2024. Mr B said he believed he'd been discriminated against. He also thought the amount of compensation should be increased. Mr B added that he didn't think that this was in line with FCA principles, or the Consumer Duty rules.

Mr B asked for the complaint to be considered by an Ombudsman. So, it's been passed to me to consider and make a 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.

Generally, lenders are entitled to decide who they will lend to and which properties they are

willing to secure borrowing on. And this can vary over time depending on an individual lender's appetite for risk at that time.

Mr B took his original mortgage around six years ago. And, of course, things can change over that time frame. When Mr B first took the mortgage, the property would've been assessed by a valuer, as it was when he applied for additional borrowing. For the initial application, clearly the surveyor at the time was satisfied the property was suitable security for Nationwide's criteria at the time.

When Mr B applied for additional borrowing in 2024, Nationwide instructed a new valuation to be carried out, as it's entitled to. I can't consider the actions of the surveyor as they are independent of Nationwide and don't fall within the remit of our Service. However, I can see that Nationwide instructed a suitably qualified surveyor and was entitled to rely upon that surveyor's professional opinion. After all, they are the expert in this matter, not Nationwide.

When surveying a property, there are guidelines for each individual lender that a surveyor will refer to when assessing whether a property meets the individual criteria for a specific lender. And it was in reviewing this in line with the assessment of the property, that the surveyor decided that Mr B's property wasn't suitable security for Nationwide to lend on.

Whilst I can't go into too much detail about the specific reasons that Nationwide declined the additional borrowing, the general reason provided to our Service was that the valuer felt the marketability of the property would be impaired by the lack of demand for owner occupation in the area.

Nationwide has provided further evidence to support this, which again I can't share as it's confidential. But I am satisfied that this evidence does support what the valuer has said. This does seem to be in line with Nationwide's criteria. And lending criteria is something that Nationwide is entitled to set. Based on this, Nationwide was entitled to rely upon the valuation report and decline Mr B's application for further borrowing for the reasons it did.

Mr B doesn't understand why the property was originally accepted as suitable security, but not for further borrowing. As I've said, things can change over time. Both Nationwide's lending criteria, and the property market in general will likely have changed over the six years since Mr B originally took his mortgage. And there's no obligation for a lender to provide further borrowing if that property no longer meets its requirements or appetite for risk.

Like our Investigator, I do think that Nationwide should've confirmed to Mr B, at a high level, why it had declined his application for further borrowing sooner, and without him needing to come to our Service for that answer. This wouldn't have changed the outcome in that Mr B's application for additional borrowing would still have been declined. However, this has clearly caused him upset and inconvenience. Our Investigator recommended £300 compensation to reflect this. Mr B thinks it should be higher.

Our website gives guidance on how we consider awards for distress and inconvenience caused by mistakes made by financial businesses. In the category of up to £300, it says:

An award between £100 and £300 might be fair where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. These typically result in an impact that lasts a few days, or even weeks, and cause either some distress, inconvenience, disappointment or loss of expectation.

Whilst Nationwide did quickly tell Mr B his application had been declined, it didn't clearly tell him why, and it did take some time and effort for him to get an answer via our Service.

However, I've reviewed the category above this, and this category talks about "*considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out.*" Whilst I have no doubt this was very frustrating to Mr B, Nationwide was under no obligation to lend further money to him. Whilst this is all of course subjective, I don't think the lack of an explanation for the declined borrowing has caused him what I'd consider considerable distress, upset or worry. Based on this, I'm satisfied that our Investigator's opinion of £300 compensation is fair and reasonable in the circumstances.

Mr B has said that Nationwide hasn't acted in line with FCA principles or its obligations under the Consumer Duty rules. I've considered the complaint in light of this. I think that the Consumer Duty requirement of Nationwide supporting Mr B's understanding is relevant here. As I've set out above, I think Nationwide should've provided Mr B with more information so that he could've understood more clearly, and sooner, why the application had been declined.

With regards to the declined borrowing, I can't see that there was an obligation under either the FCA's principles, or the Consumer Duty rules that would mean Nationwide wasn't entitled to decline Mr B's application.

Lastly, Mr B has said that he believes Nationwide has discriminated against him. He hasn't specifically said why. Nationwide has told us that this policy applies to both new applications, and existing mortgagors applying for additional borrowing. I'm not persuaded that Nationwide has treated Mr B any differently to how it would've treated any other customer in this situation.

Putting things right

Nationwide Building Society must pay Mr B £300 for the distress and inconvenience this matter has caused.

My final decision

I uphold this complaint and require Nationwide Building Society to put matters right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 November 2024.

Rob Deadman
Ombudsman