

The complaint

Miss B complains that Nationwide Building Society offered her a mortgage, but then when she secured a price reduction, it carried out a physical valuation, and changed its mind about lending on this property.

What happened

Miss B said she'd applied for a mortgage with Nationwide to buy a property, and she said her treatment had been horrendous.

Miss B said she took the advice of a broker, and chose to apply for a mortgage with Nationwide at the start of February 2024. She received an offer, and completion was set for the end of April. But she said Nationwide then went to the property again, and reported the floor was collapsing, the damp was too bad for the mortgage to go ahead and further professional advice would be needed. But she said Nationwide sat on this further information for weeks before revealing there had to be more checks before it would release funds.

Miss B said she had already received a survey report for the property, and was aware of the damp. She said she'd secured a reduction of £2,500 in the asking price. But then she had to get an emergency damp and timber survey, to satisfy Nationwide. And Miss B said she had to pay for further accommodation when she wasn't able to complete on the purchase in line with her previous planned timetable. And she lost money from savings she'd cashed in early, again expecting completion in line with the planned timetable.

Miss B said Nationwide then said it was no longer willing to lend to her, even though it had already agreed to do so. Miss B said Nationwide did eventually produce an offer, but she decided to go with a different lender, because of how badly Nationwide had treated her. She said she was paying more for her mortgage now because of this.

Miss B said Nationwide had accepted that it made a number of mistakes, and had only been flexible about offering a retention and changes to her mortgage because of these mistakes. But when she complained, Nationwide blamed her broker for all the delays, although Miss B said her broker was the only one who made the purchase possible.

Nationwide didn't think it had done anything wrong. It said when it originally offered to lend on this property, it hadn't carried out a physical valuation. But when the price of the property was reduced, that meant Nationwide did want a surveyor to check the property. That valuation identified concerns about the roof covering, high damp readings throughout the property and the floor to the front of the property having collapsed. Nationwide said it told Miss B's broker it would need a roofing report and a timber and damp report, before it could consider lending on the property.

Nationwide said it has to check that a property is suitable security for lending. It does that to protect itself and Miss B. And it wouldn't lend until its valuers were happy with this.

Nationwide said it had taken account of Miss B's situation, and that her existing accommodation had been sold, so she needed to move. It said it had overridden some later concerns about affordability, because her mortgage application had previously been approved, and it had explored the possibility of conditions or a retention on the mortgage, to allow her application to go ahead. Nationwide said its valuers were then happy with the timber and damp report, and were able to add a £10,000 retention until Miss B could show the work was completed. So Nationwide had told her broker it could go ahead on that basis.

Our investigator didn't think this complaint should be upheld. He said the offer Miss B received in February did mention circumstances where it could be withdrawn. And that included where there is a material change in the value of the property. The price was reduced, and Nationwide then inspected the property. Our investigator said Nationwide is allowed to change its mind about whether it wants someone to visit the property, in circumstances like this.

Nationwide's survey found some problems, and asked for further work. Our investigator said that's standard practice when a valuer finds concerns about the property, and the buyer does then have to pay for any further work needed if they want to resolve the lender's concerns, and go ahead with that mortgage.

Once Miss B had submitted further information about the condition of the property and the work it needed, Nationwide considered a fresh application. It initially turned Miss B down on affordability, but changed its mind when the broker appealed. Miss B also raised her concerns that this was taking longer than anticipated and she might end up homeless. Nationwide agreed to take that on board, and look at options to help her move. It gave her broker options to go forward, and then made a fresh offer with a higher loan to value, but Miss B didn't want to take that offer up.

Our investigator appreciated this had a considerable impact on Miss B, but he said mortgage applications can be complex, and a responsible lender needs to make sure it has all the documentation and information it needs to make a major lending decision like this. He thought Nationwide had responded to Miss B's application in a timely manner, and reviewed the information it received fairly. It had kept her broker updated throughout the process. He didn't think Nationwide had lied, or created false expectations.

Miss B said this was unacceptable. She said she had medical evidence of the impact all this had on her. She felt we couldn't have read all the evidence. She'd been given an offer dated 14 February, which was valid until 12 August. She said the level of deposit she was paying meant there was no risk to Nationwide, and the further investigations suggested there was only some mould, nothing major. Miss B said she was constantly calling for updates, and said her broker had never seen anything like this. She said updating the property value didn't warrant Nationwide's response. She said she'd had to pay a lot more for the property, not just in additional mortgage costs, and felt this was all utterly unreasonable.

Our investigator didn't change his mind. He said he didn't doubt this had affected Miss B's mental health, but he didn't think that was Nationwide's fault. He'd found no evidence of lies or unfair treatment. And he clarified that the offer Miss B had sent us was no longer valid once her purchase price changed.

Because no agreement was reached, this case was passed to me for 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.

I've reached the same overall conclusion on this complaint as our investigator.

Miss B applied to Nationwide for a mortgage, with the support of a broker, and received an offer. The offer she got on 11 March 2024 says this –

We are committed to making this loan before the offer expires unless:

...

there is a material change in the value of the Property.

So, when the broker told Nationwide on 15 April that the property price had been reduced, the offer that Miss B was holding was no longer valid.

Miss B objects to Nationwide then having carried out a physical inspection of the property. But it's not unreasonable for Nationwide to want to know why the seller had agreed to sell the property for less, and for it to check whether this meant there was something wrong with the property, that could affect Nationwide's willingness to lend.

When Nationwide carried out that valuation, its surveyor noted damp issues, with water coming through the roof, damp throughout the property, and the collapse of the floor at the front of the property.

Nationwide asked for further reports then. Miss B said she was putting down a sizeable deposit, so she didn't think Nationwide was justified in asking for so much more information. But Nationwide also worked out what it was willing to lend, and the interest rate it would offer Miss B, based on a loan to value percentage. And it appears that Nationwide ultimately concluded that until the necessary repairs were completed, the property would be worth a bit less than it initially thought. That meant the loan to value would be different. I don't think that Nationwide had to ignore this, because Miss B had a large deposit to put on the property.

Miss B also said Nationwide only told her of its concerns about the condition of the property after sitting on this information for some weeks, but it looks as if the valuer's report was completed on 16 April, received by Nationwide on the same day, and the broker was informed of Nationwide's concerns on 17 April. Nationwide then responded to a damp report two working days after it was received, and to a guarantee again two working days after it was received.

I do understand that this was very frustrating for Miss B, as it took some time to satisfy Nationwide, and she was worried she would have to move out of her current accommodation before she could purchase her new property. But I don't think it was unreasonable for Nationwide to want to check the extent of any damage that the damp had caused, and the likely cost of repairs. And I don't think Nationwide was causing delays throughout this process.

In May, Miss B discussed going ahead with this mortgage, with a retention on the funds, so part of the lending wouldn't be paid out to Miss B until the work was complete. There were then difficulties when Miss B's application failed a credit check, which I understand would have added further stress to an already stressful situation. Nationwide has explained that Miss B's credit utilisation had changed, but because it had already made an offer to her, it decided to continue with a revised offer, despite these concerns. And I can see that Nationwide resolved this quickly.

On 21 May, Nationwide said Miss B had options, including getting the work done before purchase, which would mean the retention could be removed; going ahead with lending based on the value after the work was completed, which would mean the lending would initially have a retention until the work was done; or accepting that the value of the property had been reduced by the work that needed doing and taking a different mortgage with a higher loan to value.

Miss B's broker then submitted a new application, and Nationwide made an offer with a higher loan to value. I've seen communications between Nationwide and Miss B's broker about this offer, where the broker says the rate is much higher because of the increased LTV. I do think Nationwide had been clear that if Miss B didn't opt for a retention, or complete the work before the mortgage had been drawn down, then it would base any offer on a lower value for the property, in order to reflect the work needing done.

The broker asked Nationwide to backdate the offer to the rate which would have been available in February, when Miss B first applied for lending, but Nationwide said it wouldn't do that. I don't think it's Nationwide's fault that the offer it made in February 2024 didn't go ahead, so I don't think Nationwide had to offer Miss B in May, a rate she could have secured in February.

Miss B then didn't go ahead with this lending. She chose a different lender, although she said this cost her more.

Miss B has said this was an enormously stressful process, which meant she had to seek support. I accept what Miss B has said about the impact on her, and I'm sorry to hear that this has been such a difficult time for her. But, although Miss B said there was evidence that Nationwide had accepted it caused issues and was liable, I can't see that Nationwide has accepted it did anything wrong. And I haven't been able to see that the problems here were caused by unfair or unreasonable action on Nationwide's part.

I understand Miss B feels strongly about this, so I appreciate that she will be very disappointed by my decision, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 November 2024.

Esther Absalom-Gough
Ombudsman