

## **The complaint**

Miss M has complained about the length of time Nationwide Building Society took to deal with her mortgage application. As a result, the purchase did not go through. Miss M would like Nationwide to pay compensation of £2,500 for the expense she's incurred and for the emotional damage she's suffered.

## **What happened**

I won't set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat all the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Miss M being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

In 2023 Miss M wanted to purchase a shared ownership property with a mortgage from Nationwide. The property was subject to stringent restrictions on who it could be sold to, under what was called a Discounted Market Scheme (DMS). This resulted in protracted enquiries being raised through the surveyor who carried out Nationwide's valuation, as well as the solicitors acting on the purchase, in order that Nationwide could ascertain whether these restrictions would meet its lending criteria.

Ultimately the application didn't proceed because Miss M's broker cancelled it on 6 November 2023. Nationwide refunded the product fee, but Miss M complained to Nationwide about the length of time the application had taken, and about its customer service. In its final response, Nationwide explained why it wasn't upholding the complaint, and it provided a timeline of the application to explain why the application had taken so long.

Miss M raised her complaint with our service. An Investigator looked at what had happened. Initially he didn't think Nationwide had done anything wrong, explaining that the length of time the application took was because of the complexity of the purchase.

Miss M didn't accept the Investigator's findings and raised another point – which is that although the application had been cancelled by her broker on 6 November 2023, she received a text message from Nationwide on 1 December 2023 about another valuation being booked. This raised her hopes that the application was still open.

The Investigator noted this was an error by Nationwide, and asked it to pay compensation of £100, which it agreed to do. However, Miss M didn't accept this and asked for an Ombudsman to review the complaint.

Miss M said that there is a flaw in Nationwide's approach to DMS properties, and that this needs to be addressed. Miss M said that £100 is not fair compensation, and that she will be

very disappointed if the Financial Ombudsman Service cannot consider the bigger scale and the injustice that will continue to affect first-time buyers of DMS properties.

### **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've reached the same conclusion as the Investigator, for broadly the same reasons.

I'll begin by explaining that I have no power to tell Nationwide what policies it should have in place, or the criteria it requires to be met for a DMS application. Those are issues for the regulator, the Financial Conduct Authority. My role is to reach a decision on Miss M's individual complaint.

Nationwide is entitled to set its own lending criteria. Decisions that Nationwide makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for Nationwide's own commercial judgement that I would not interfere with.

A property that has restrictions on who it can be sold to poses an additional risk to a lender. This is because, in the event the lender takes the property into possession, it can't be sold on the open market, but only to a restricted category of potential buyers. This could result in detriment both to lender and borrower.

Nationwide was therefore entitled to make detailed enquiries of both the surveyor and solicitors about the restrictions in order to be satisfied that its power of sale would not be fettered. I think this is reasonable in the circumstances.

On reviewing the documentation, I'm not persuaded that the length of time it took for the enquiries to be answered was wholly the result of any error on the part of Nationwide. In particular, I note that Nationwide had to chase the solicitors multiple times to provide documentation, not only in relation to the restrictions, but in relation to other outstanding matters too.

Nationwide is not an expert in valuations, and so it is required to appoint a suitably-qualified surveyor to deal with this part of the application process. The surveyor appointed is a Member of the Royal Institution of Chartered Surveyors. As such, Nationwide was entitled to rely on the surveyor's expert opinion about the potential risks associated with this type of property.

I appreciate Miss M was disappointed that her purchase didn't proceed, but ultimately I'm unable to find that this was as a result of any error on the part of Nationwide.

I note there was an administrative glitch when Miss M received a text about a new valuation on 1 December 2023, after the application had been cancelled. This led her to believe that the application might still be going ahead, until she spoke to her broker about it.

### **Putting things right**

Nationwide has accepted it shouldn't have sent the text to Miss M, and that this caused her some upset. In the circumstances, a payment for distress and inconvenience is warranted. I agree with the Investigator that £100 is fair, reasonable, and proportionate in all the circumstances.

**My final decision**

My decision is that Nationwide Building Society must pay Miss M £100 compensation. I make no other order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 January 2025.

Jan O'Leary  
**Ombudsman**