

The complaint

Mr W's complaint is that he was misled by National Westminster Bank Plc that he could apply for a residential mortgage at a 75% loan-to-value ratio (LTV) and then obtain consent to let (CTL) for the property.

When Mr W spoke to a mortgage adviser, he learned that he would instead have to apply for a buy-to-let (BTL) mortgage and that the maximum LTV was 65%.

Mr W says that, as a result of not being able to take out a residential mortgage with CTL, he has suffered financial loss of a minimum of £12,000, being the difference in interest rates on a residential and BTL mortgage. Mr W also says he came close to losing his deposit of £147,000, and suffered considerable distress and inconvenience, for which he would like NatWest to compensate him.

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 Mr W 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.

Briefly, in about 2016 Mr W had agreed to purchase off-plan a studio flat in a large development. For various reasons – primarily the size of the construction site and delays caused by the pandemic – it wasn't until several years later that the development was nearing completion. At this point Mr W needed to think about a mortgage. The purchase price was £588,000 and Mr W had already paid a deposit of £117,600 (20%). There was to be a gifted deposit of 5% from the developer, and so Mr W needed a mortgage of £441,000.

In 2020 Mr W spoke to his personal banker at NatWest and asked if it would be possible to have a residential mortgage on the property, and later obtain CTL. Mr W was told that this would be something the bank could consider, at a maximum 75% LTV for a new-build property, in line with the bank's criteria.

In the spring of 2022 Mr W needed to have his funds in place and the personal banker Mr W had spoken to in 2020 arranged for him to see a mortgage adviser at the bank. However, as this was a new-build for investment purposes, Mr W was advised that NatWest could offer a BTL mortgage, but the maximum LTV for this was only 65%.

Mr W complained. He said that, just prior to speaking to the mortgage adviser, he'd been looking at a BTL mortgage with another lender which offered a 75% LTV. But as he'd arranged the meeting with the NatWest mortgage adviser, and thought he'd be able to get a

mortgage at a residential interest rate and then apply for CTL, he decided to go ahead with NatWest, only to find he couldn't have what he wanted. The other lender had subsequently withdrawn the rate he'd been looking at.

Mr W was unhappy that, not only did he now have to find an additional £58,800 towards the deposit, but he'd be paying more interest than he would have been if he'd had a NatWest residential mortgage on the property.

NatWest didn't reply to Mr W's initial complaint email, so he had to raise his complaint again.

NatWest didn't uphold the complaint. The bank said that when Mr W had discussed this with his personal banker, he'd explained he wanted a residential mortgage, and so the information he was given that a 75% LTV would be possible was correct. But the mortgage adviser had correctly identified that what Mr W needed was a BTL, and so the maximum LTV was 65%.

Mr W ultimately took out a BTL mortgage with another lender which specialises only in BTL mortgages, and was able to offer him a 75% LTV.

Dissatisfied with NatWest's response, Mr W brought his complaint to our service. An investigator looked at what had happened. She was satisfied NatWest hadn't done anything wrong in not offering Mr W a residential mortgage on this property. However, she thought that NatWest could have clarified its position in relation to residential and BTL lending criteria earlier than it did. The Investigator also noted that NatWest hadn't replied to Mr W's initial complaint in April 2022, and thought the bank should pay compensation of £100 for this.

NatWest agreed to pay the £100, but Mr W didn't accept it. He provided a list of questions he wanted NatWest to answer, and asked for an Ombudsman to review the complaint. He's made some further points, which I've summarised below in my own words.

Mr W said that it's important for us to know that he already had a residential mortgage with NatWest and had CTL on this. Mr W said that he'd asked his personal banker if he could have multiple residential mortgages with NatWest with CTLs and was told that he could. He lived in a house that was far enough away for this to be considered a reasonable request and have this option as a second home. He didn't want to apply for a BTL because residential mortgage interest rates are lower.

In addition, due to his professional qualifications, Mr W says he is well versed on the bank's duty of care and the rights and wrongs of property dealings. He wants NatWest to be held to account, they were in the wrong and failed to respond to him. Therefore £100 is insufficient compensation for the losses he has incurred in having to find the additional deposit and take out a BTL mortgage at a higher rate of interest than a residential mortgage.

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 will explain first that the Financial Ombudsman Service is independent of both consumers and the businesses they are complaining about. This means that we don't act for consumers, nor do we take instructions either from consumers or businesses, or allow either party to direct the course of our investigations; were we to do so, it would compromise our independence and impartiality. It's up to us to determine what evidence we need in order to

investigate a complaint. So although I've noted the questions which Mr W would like answered, it's not my role to put those questions to NatWest or act as a representative or go-between on this case.

The crux of Mr W's complaint is that he says his personal banker told him he could have multiple residential mortgages, all with CTL. Mr W wanted to take out a new residential mortgage with a 75% LTV. But when he spoke to the mortgage adviser, he was told he could only be considered for a BTL mortgage on this property with a 65% LTV. What I have to decide, therefore, is whether NatWest has acted reasonably in declining Mr W's request for a 75% LTV residential mortgage and, if so, what losses he's incurred as a result.

In addition to this proposed purchase, Mr W has told us he has a NatWest residential mortgage with CTL on a flat, a residential mortgage held jointly with his wife taken out with another lender on their family home (which he describes as his "*main residential mortgage*"). Although Mr W told NatWest he was going to occupy the studio flat he was buying as his main residence, he has told us that his intention was to use it as a "pied-a-terre". However, it is only 13 miles from his family home, so I'm not persuaded that was his actual intention.

And whilst I have Mr W's testimony that he was told it would be possible to have multiple CTLs with NatWest, I'm not persuaded by the other evidence that this formed part of the discussions with his personal banker. I say this because NatWest's CTL criteria are clear that CTL can only be granted if there are no other properties held with NatWest on CTL. In the circumstances, and on balance, I'm not persuaded that this formed a central part of the discussion with the bank, because I think it is unlikely NatWest would have told Mr W he could have multiple CTLs when this is never allowed by the bank.

There is no mention in any of the emails between Mr W and his personal banker that show he asked about having multiple residential mortgages with CTL. The emails only refer to a single residential mortgage application, and that Mr W intended to live in the property, with a later application for CTL. I also note that the personal banker asked if Mr W was purchasing this as a new rental property (BTL) "*or are you looking to apply for the consent to let on your existing NatWest mortgage?*". Given this, I'm satisfied that the personal banker was unaware that Mr W already had CTL on his existing NatWest mortgage, and Mr W didn't correct this misunderstanding in subsequent emails.

I'm satisfied that when Mr W spoke to her, NatWest's mortgage adviser correctly identified that Mr W required a BTL mortgage. I'm therefore not persuaded the mortgage adviser did anything wrong in advising him that NatWest's criteria only allowed a 65% LTV on new-build properties.

Mr W says that he was told that NatWest would allow 75% LTV. But the maximum 65% LTV at the time was for BTL properties, not residential. So given that the adviser had identified that a BTL mortgage was the correct one, the LTV could not be higher than 65%. Mr W says that he was told NatWest didn't allow more than a 65% LTV for *any* new-build properties, whether residential or BTL. But Mr W wasn't eligible for a residential mortgage on this property, and so the adviser wasn't required to discuss residential lending criteria with him.

I'm satisfied that NatWest's LTVs and interest rates available to residential mortgage customers are not appropriate for a purchase where the intention is to rent out the property. I am not persuaded that Mr W was intending to move into the property to live there as his

main residence. Furthermore, Mr W couldn't have another residential mortgage with NatWest on CTL, as he already had one, and NatWest does not allow multiple CTLs.

This is a reasonable policy for the bank to have, because otherwise BTL landlords could take out residential mortgages, obtain CTL and then gain advantages from the regulatory protections and lower interest rates that only residential mortgage borrowers are entitled to. Because rental properties pose a higher risk to lenders, and because they are considered commercial investments, BTL mortgages are priced and underwritten differently from residential mortgages, to reflect the fact they are considered commercial enterprises. They are also unregulated, for much the same reasons.

Therefore, although I understand Mr W is disappointed that he couldn't take out a second NatWest residential mortgage and be granted CTL, this isn't something he would ever have been eligible for. There is no documentary evidence to show that NatWest was made aware that it was Mr W's desire to have multiple NatWest residential mortgages with CTL, and Mr W doesn't mention it in his complaint email to NatWest either.

In the circumstances, I'm satisfied the mortgage adviser was correct in advising Mr W that he could only have a 65% LTV BTL mortgage for this purchase. This wasn't what Mr W wanted, and so he had to source a 75% LTV BTL mortgage elsewhere. I'm not persuaded NatWest can be held responsible for any increase in costs incurred by Mr W as a result. The bank was never going to agree a residential mortgage for this property as it was outside lending criteria,

Putting things right

I'm glad NatWest has acknowledged it should have responded to Mr W's complaint email sent in April 2024. NatWest can't explain why this was overlooked, despite a chaser from Mr W. The bank has agreed to pay compensation of £100 for this, which I think is fair in all the circumstances.

My final decision

I direct National Westminster Bank Plc to pay Mr W £100 compensation. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 January 2025.

Jan O'Leary
Ombudsman