

The complaint

Mr S complains that Nationwide Building Society withdrew his mortgage application, although it had already been granted, because of the service charge costs. But Mr S said Nationwide had known about those costs from the start.

What happened

Mr S said he was a first time buyer, and in November 2023 he approached Nationwide for a mortgage. And Nationwide said it could in principle lend him the money he wanted.

Mr S said between late November 2023 and early February 2024 there was considerable delay when he had problems satisfying the valuers that his property didn't have fire safety concerns. He said this took an unreasonable length of time, and he was repeatedly asked to send documentation he'd already supplied. He felt he had to do all the work to keep things moving.

Mr S said on 20 February 2024 Nationwide finally confirmed it could lend on this property, and his purchase was going ahead. But then just as he was exchanging contracts, in April 2024, Nationwide reviewed the information again and decided it wouldn't lend, because of the cost of the service charge.

Mr S said this was Nationwide's mistake. It had already reviewed the charges for the property before it made its offer on 20 February. And the service charge had risen in line with inflation during the time that he was seeking to satisfy Nationwide that there were no fire safety concerns with the building. So he felt that it was unfair for Nationwide to object to the higher cost, which had only increased because of its delays.

Mr S said he'd paid solicitors fees and a deposit, and his Help to Buy ISA had been redeemed, when Nationwide decided it wouldn't lend after all.

Mr S said this had a significant impact on him personally, causing considerable stress and impact on his mental health. He also said that he'd incurred lots of costs which he wanted Nationwide to cover. And he'd lost his Help to Buy bonus. He said Nationwide had only offered to reimburse his solicitor's fees of £2,650.40 and pay £600 of compensation.

Mr S wanted Nationwide to reinstate his mortgage offer and put him back in the position he was in before its mistake. Or he said that Nationwide should cover the difference in the interest rate and the increased value of the property since his mortgage offer was made.

Nationwide said the valuer had made a mistake, because a note referring to concerns about the service charge was removed from the valuation report. Nationwide said that shouldn't have been removed, because even after the fire safety concerns were resolved, the service charge meant the property was still unsuitable as a basis for Nationwide's mortgage lending. Nationwide had only made an offer to lend on this property because this concern had been removed from the valuation report. And when Mr S's solicitors also mentioned the service charge was higher than Nationwide would usually support, it withdrew that offer.

Nationwide said it had considered this carefully. It had consulted with both senior staff and staff with direct experience of the area, at its valuers, and they all thought the annual service charge was very high for this property, and was likely to affect the future saleability of the property. So Nationwide wouldn't change its mind about this.

Nationwide said it had paid Mr S a total of £600 in compensation, and it would cover his legal fees, as an apology.

Our investigator thought this complaint should be upheld. She said the mistake was made in 2024 after the fire safety concerns were dealt with, and the valuer updated the valuation report. The concerns about the service charge were omitted from the revised report, and that's why Nationwide made its offer.

Our investigator didn't think Nationwide would have offered to lend on this property if it had been aware of the cost of the service charge. And she said it would still have refused to lend in 2023. The charge each year was still more than 1% of the property's value, which is Nationwide's threshold for reviewing the lending.

Our investigator said she couldn't fairly ask Nationwide to reinstate its offer. But our investigator said given the length of time it took for the offer to be withdrawn and the impact this had on Mr S, she thought Nationwide should pay £200 more in compensation. She thought Mr S had lost out on interest on his Help to Buy ISA, and had experienced considerable stress, as well as ultimately losing out on the property he wanted to buy.

Mr S disagreed. He said Nationwide had reviewed the service charge earlier, and made its offer on that basis. He didn't feel what he was being offered made up for Nationwide's mistakes and the lengthy time it had taken for the mortgage application to be reviewed. But our investigator didn't change her mind. Because no agreement was reached, this case then came to me for a final decision. And I reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

I've seen the offer which was issued to Mr S, and the terms that offer was subject to. The offer itself says that Nationwide can withdraw it if "*the conveyancer raises any issue which makes the Property unacceptable to us.*" I can see that Nationwide was alerted to the level of ground rent and service charge by the conveyancer, and then changed its mind about lending to Mr S.

I think that under the terms of the offer made, Nationwide was entitled to withdraw its offer at this point. And because I think Nationwide has explained its concerns about how the service charge would affect the marketability of this property, I don't think Nationwide has to lend on this property now.

But that doesn't mean that Nationwide hasn't made any mistakes here.

I have seen the valuation report that Nationwide received, dated 16 November 2023. That document expressed concerns about both the fire safety of the building where Mr S wanted to purchase, and the ground rent and service charge applicable to the property he wanted to purchase.

When Nationwide wrote to Mr S in late November 2023, it only mentioned the concerns about fire safety. I think Nationwide should also have looked into the concerns the

valuer had expressed about the ground rent and service charge at the time. I think if Nationwide had taken the time then to check how much the ground rent and service charges were, and to discuss this with the valuer it was working with, then it's most likely that Nationwide would have told Mr S in December 2023, that it wouldn't lend to him, even if he could resolve the concerns about fire safety, because the service charge on the property was too high.

Nationwide decided in 2024 that it wouldn't lend on this property because the service charge was relatively high, and likely to have an impact on future saleability of the property. Mr S thought Nationwide only reached this conclusion because the service charge had gone up since his application was first made. But I don't agree with that. I know the service charge was slightly lower in 2023, but I don't think this was enough of a difference to change Nationwide's view. As I've set out above, I think Nationwide would have reached the same conclusion on this property in 2023.

The usual approach taken by our service in a case like this is to try to put Mr S in the situation he would have been in, if this mistake had not been made. But it's difficult to do that here, as Mr S hasn't engaged with our service's efforts either to find out his future plans, or to gain evidence of the spending he wanted to claim as losses. I also note that Mr S previously told us he wasn't able to purchase the property once Nationwide withdrew its mortgage offer, but it appears that position may now have changed.

I wrote to Mr S in early October 2024, asking him to set out his future plans, including whether he was still seeking to purchase a property in the near future. I also asked for a breakdown of costs that Mr S had incurred since November 2023, which would not have been incurred if his mortgage application had been refused then.

Mr S replied, saying that he had now secured a mortgage. So it appears that Mr S either has already purchased this property, or is in the process of doing so. Mr S provided headings and costs he felt that Nationwide should cover, but he offered no evidence to support this expenditure.

I replied to Mr S, asking for evidence that his Help to Buy bonus hadn't been paid, as he had initially said. I would expect once the ISA was cashed in, the bonus could be paid for any purchase made within the following 12 months, or Mr S could reopen his Help to Buy ISA if the purchase failed. I also asked for evidence to support the other heads of expenditure which Mr S had mentioned, but hadn't detailed for us. I said at this point that if I had to make a decision on the basis of the evidence our service then held, any award would be unlikely to cover the items of expenditure that Mr S had mentioned.

Mr S didn't agree that the position may have changed on his Help to Buy ISA. He said he'd lost the bonuses he could have accrued by continuing his monthly contributions.

Mr S also sent our service three bank statements, for 3 November to 1 December 2023, 3 February to 1 March 2024, and 3 May to 31 May 2024.

These statements show Mr S paid a sum he classified as "*rent*" in November 2023, in February he appears to have paid no rent, but some petrol costs. The statements also show one payment which may be for storage. I understand that Mr S thinks Nationwide should pay all of these sums.

The final statement gives Mr S's address as the property he initially told us he was trying to purchase.

Mr S said he believed the proof was there, and that he didn't need to be chasing for further proof, he said we already had it. I'm sorry to have to tell Mr S that I don't agree with his view of the evidence we currently hold.

Because there's no clear explanation or detail of Mr S's current or near future position on buying this property, and there's no detailed evidence of the costs Mr S says he incurred during the delay he says Nationwide caused, I'm not now fairly able to ask Nationwide to contribute to any of the increased costs Mr S says he incurred because of Nationwide's delays.

I would note in particular that, although Mr S says delays in this purchase were caused by Nationwide repeatedly asking for documents he had already supplied, I haven't been able to see that Mr S did supply promptly all the documentation Nationwide requested on 21 November 2023. A number of documents (such as the Landlord Certificate) and points of information (such as the timetable for work) appear to have been requested at the outset but remained outstanding for some time. I do think Nationwide could have renewed its requests for information more quickly, but I currently think the sum of £400 which Nationwide has paid Mr S in compensation has made up for that.

I also note that Mr S changed solicitors after the offer was received, not long before his purchase was due to exchange. I think this is likely to have caused around a month of further delays, and I don't currently think that's Nationwide's fault.

Mr S has received a total of £600 in compensation. Our investigator suggested this compensation amount be increased to £800, which Nationwide has not indicated it would agree to do.

Mr S also received a refund of £2,650.40 in legal costs. I think it's likely Nationwide paid that because it thought Mr S had spent money on legal fees for a failed purchase, so had nothing to show for the money he'd spent. But if, as his most recent emails suggest, Mr S is still intending to purchase this property, or indeed has already done so, then these legal costs seem likely to be money he would always have needed to spend to achieve his purchase. So that means Mr S has received £600 in compensation, plus a very substantial contribution to his purchase costs. With that in mind, and with little to no concrete evidence to support the expenditure and losses Mr S says he has experienced as well as no details of his current or future plans for property purchase, I am not able to fairly and reasonably say that Nationwide should increase its payment in this case.

I understand that Mr S will be disappointed by my provisional decision, but on the evidence I currently hold, I can't say that this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Nationwide said it had no further comments at this point. Mr S replied to disagree. He set out his objections under six headings, and sent some additional evidence. Mr S wanted me to reconsider. I will deal with each of Mr S's headings in turn.

Service Charge Review and Acceptance - Mr S repeated that Nationwide had reviewed and accepted the service charge earlier in its considerations of his application, and he said that

for Nationwide to claim later that it wasn't previously aware of the service charge was wrong. He said that meant Nationwide shouldn't have withdrawn an offer based on the service charge. And he said service charges are only ever supposed to be referred to a valuer, and he thought if this review had been done properly, the charge would have been approved.

My provisional decision set out that Nationwide did have the right, under the terms of the offer it made, to withdraw the offer in the circumstances of Mr S's case. But I also found that Nationwide should have been aware of the valuer's service charge concerns when the valuation report was first received. In summary, my conclusion was that Nationwide would always have decided not to lend, but it could have reached that decision sooner.

Help to Buy ISA Closure – Mr S resent proof that his ISA account was closed. He said my suggestion that this account could be reopened was incorrect, and I should be aware of this.

The government web pages on Help to Buy ISAs contain the following – *“if your home purchase doesn't go through after your solicitor or conveyancer has received your government bonus, you can re-open a Help to Buy: ISA.”* The web pages operated by Mr S's Help to Buy ISA confirm the same position – that the account can be reopened. So I do not agree with Mr S's assertion here. It seems most likely that Mr S hasn't reopened his ISA because he still hopes to buy the relevant property.

Bank Statements sent as evidence – Mr S said the statements he sent us were evidence of specific requested items. He said if required, he could send the rest of the statements. He said he had sent us documentation only in response to what was specifically requested.

When Mr S first complained to our service, he said he had incurred a considerable number of incidental costs, arising out of what had gone wrong here. When this case came to me, our service still had no evidence of those costs. So I have previously asked Mr S to evidence items of expenditure that he wished to recover.

On 9 October 2024, I told Mr S I was considering whether some of the costs he mentioned could have been avoided if Nationwide had reached its decision much sooner. So I asked Mr S to send our service *“...a detailed breakdown of costs you consider you have incurred since late November 2023, which would not have been incurred if the mortgage application had been refused.”* I was clear then that I would need *“... a detailed explanation for anything you are claiming, along with written evidence (in the form of invoices etc).”*

Mr S sent us a list of expenditure, which included rent of £400 per month, from November 2023 to April 2024, when Mr S said he was staying with family and friends, and rent of £900 per month from May to October, when Mr S now told us he was renting the property from the seller to make sure they would continue to cooperate with his mortgage process.

There are two points to make about Mr S's most recent reply. The first is that in late April 2024, Mr S told us that he was living outside of the city where he'd hoped to buy a property, that he didn't know if he could find any other property to live in, and he was reluctant to go through another mortgage application. It wasn't until October 2024 that Mr S said he had moved into the property, and was still trying to buy it, in May 2024. If Mr S's position had changed to this extent shortly after he made his complaint to this service, then it's unclear why he didn't set this out for us sooner.

The second point is that Mr S offered no evidence for any items of expenditure that he raised, although my communication to him was clear that our service would need this.

I wrote to Mr S again, in case there had been some misunderstanding, on 31 October 2024. In that letter I stressed that as a matter of fairness to both sides, our service *“... does need*

to see evidence of additional costs.” I said that Mr S would need to evidence all payments of rent, storage costs, and travel expenses, and explained that “... bank statements and invoices would be a minimum level of evidence, for each point you’d like us to include.”

In response to this, Mr S sent us three non-sequential bank statements, which did not contain all of the items he wanted Nationwide to pay for. Mr S also indicated then that he did not think our service required more information than this. So I don’t agree with Mr S that he has sent “*evidence of specific requested items.*”

I should also note that although these statements did not provide a complete record, they do suggest that Mr S’s payments weren’t quite as he had previously claimed.

In response to my provisional decision, Mr S sent six documents. Those were his Help to Buy closing document, and five email exchanges between Mr S and his contact at Nationwide. All of this is evidence which Mr S had previously sent us. Although my provisional decision set out that the reason I had not made any award for additional costs was because Mr S hadn’t sent the requested evidence, Mr S still chose not to send any additional evidence of his own expenditure at this final stage.

Given the number of previous requests for evidence made, and considering the case as a whole, I do not think it would assist in this case to engage in further requests for evidence.

Solicitor Change and Alleged Delays – Mr S wanted to strongly object to any suggestion that delays were caused by him. He said he had to change solicitors when his previous solicitor refused to work with Nationwide due to its handling of this matter. Mr S also said there was minimal delay on his part, and he worked diligently to supply all requested documents.

There is no evidence of why Mr S changed solicitors, and if Mr S had indeed been forced to change solicitors because of Nationwide’s actions, wasting both time and money spent with the previous solicitors, then I would have expected this to play a central role in his current complaint. That doesn’t appear to have been the case. I’m not able to conclude here that it’s most likely Mr S changed solicitors due to Nationwide’s actions.

I can see that on 21 November 2023 Nationwide sent a list of documents it would require, to assuage its fire safety concerns, and this was forwarded to Mr S on 22 November.

It appears to have taken just under a month to send documents to Nationwide. Nationwide then said the address on some documents didn’t match that of the property. I understand that this wasn’t Mr S’s fault, but I would expect Nationwide to query documents for fire safety with a different address to the property being purchased, and it wasn’t until late January that Mr S was able to provide information to assuage Nationwide’s concerns.

I also note that whilst Mr S says all documents were supplied promptly, the list he originally set out for our service didn’t contain all the documents Nationwide requested. On 30 January, Mr S was asking the seller’s estate agent to confirm whether the leaseholder would have any liability towards the costs of external works, although details of the source of funding for works was something Mr S was asked about in Nationwide’s original information request. And in late March his solicitors told Nationwide that one of the documents it had originally requested in late November couldn’t be fully completed. So it doesn’t appear that fully completed documentation was sent to Nationwide promptly in response to its 21 November requests.

Efforts to Mitigate the Situation – Mr S said that when the seller started to suggest he might withdraw from the sale, Mr S stepped in to find a resolution. He said that to prevent the sale from falling through, he offered to rent the property temporarily as a way forward.

As I noted above, this revised position, with Mr S apparently taking charge of the purchase process and negotiating to move into the property, and then moving in during May 2024, contrasts with what Mr S told us about his circumstances in late April 2024, when he first brought this complaint to our service.

Unacceptable Outcome – Mr S said that the claim that this was “*purely a mistake*” was unacceptable. He said the situation had caused significant personal and financial hardship, and he said he didn’t think an apology, even with the small amounts of compensation offered, was sufficient. Mr S said the problems could have been avoided entirely if Nationwide had done a proper job.

My provisional decision was not that this was “*purely a mistake*” nor that the problems with Mr S’s mortgage could have been avoided entirely. I did say the problem with Mr S’s service charge could, and should, have surfaced sooner. However, I also found that Mr S had received £600 in compensation, and a refund of £2,650.40 in legal costs. I thought it was likely Nationwide paid that because it understood Mr S had spent money on legal fees for a failed purchase, so had nothing to show for the money he’d spent. Nationwide’s complaint response letter confirms that it paid on the basis that Mr S was “*now unable to purchase the property.*” Mr S has now made clear that he is still intending to purchase this property, so I still think these legal costs seem likely to be money he would always have needed to spend to achieve his purchase.

My provisional decision explained why I didn’t think I could fairly and reasonably say Nationwide should increase its payment in this case beyond the payments of £600 in compensation and £2,650.40 towards legal costs that it has already paid. I have considered all the points Mr S has made in response to my provisional decision, and I still think that.

So I haven’t changed my mind. I’ll now make the decision I originally proposed.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 28 January 2025.

Esther Absalom-Gough

Ombudsman