

The complaint

Mr and Mrs V complain that Nationwide Building Society made unreasonable requests for more information about recent building work, before it would decide whether to increase their mortgage lending, and delayed in telling them exactly what documentation it needed.

What happened

Mr and Mrs V used the services of a mortgage broker to apply to their existing lender, Nationwide, for additional borrowing on their mortgage. They wanted the extra money to complete some building work being done on their home.

Mr and Mrs V said Nationwide agreed in principle to the lending, then sent a valuer to their home. When the valuer visited, they gave the property a zero valuation, saying the work wasn't completed. But Mr and Mrs V said they'd waited until the property was habitable with a working kitchen and bathroom, which was what they thought the valuer needed to see.

Mr and Mrs V said Nationwide asked them to send a building certification document, which they did, but they were then told that wasn't enough, and they would need a Professional Consultant Certificate ("PCC"). They said they couldn't get a PCC once the work was completed. Mr and Mrs V said that Nationwide took an unreasonably long time to clarify what documentation it would accept, and it wasn't until 7 May that Nationwide said it would accept a retrospective building warranty from a specific firm (who I won't name here).

Mr and Mrs V said this warranty cost them £5,286, and always takes from 3 to 6 weeks to obtain. But on 19 June, Mr and Mrs V said their broker told them that their application had been closed, and they would need to reapply.

Mr and Mrs V asked why Nationwide had asked them to pay for a certificate knowing they would not get it back in time before the application closed, and they said once the application was closed they'd asked then for Nationwide to contact them directly, but it didn't.

Mr and Mrs V reapplied directly to Nationwide for the borrowing they wanted, but it turned them down. So Mr and Mrs V said they'd had to move lender to secure the extra borrowing they needed, and this would cost them about £16,000 in Early Repayment Charge ("ERC"). The new lender didn't need a building warranty, so that money had been wasted.

Nationwide said that it had sent Mr and Mrs V a timeline as part of its response to their complaint. It didn't think it had taken a long time to respond to their queries. Nationwide said it had been communicating with Mr and Mrs V's broker throughout.

Nationwide said it had relied on its valuer's comments about the considerable changes to the mortgaged property, and that the property should have a PCC or a warranty covering the works being carried out. Nationwide didn't get the documentation it needed, and it said after the Decision in Principle ("DIP") had expired and the broker wasn't responding to it, it did eventually cancel the application. Mr and Mrs V then reapplied, but were declined.

Nationwide understood they were going to move their mortgage elsewhere. Nationwide said

it couldn't comment on why another lender wouldn't want the same documentation.

Our investigator didn't think this complaint should be upheld. She said that she couldn't see Nationwide had caused avoidable delays, and she didn't feel Nationwide was unreasonable in closing the application around three months after the PCC or building warranty was first requested, and after the DIP had expired. She didn't think it was unfair for Nationwide to complete further affordability checks when Mr and Mrs V reapplied, and then to decide not to lend. She didn't think Nationwide had to cover the costs of the building warranty, or refund the ERC they were then charged when they decided to move their lending.

Mr and Mrs V didn't think we'd looked properly at how Nationwide had communicated, or the problems with their valuation. They said they'd increased the value of the property, and they'd taken the first valuer's advice on when to schedule the valuation. They didn't know why a different valuation company then attended their home.

Mr and Mrs V said the new valuer's comments were misleading, and he had misunderstood the work carried out. They said every single external and internal wall of the property was still in place and the house still occupies its original footprint and foundations. They said the extension was into the roof space of the existing footprint. They said building regulations classed all of this as minor works. They said they were surprised to be asked for a PCC, and professionals involved in the work were also surprised. They said Nationwide hadn't warned them beforehand that they might need this sort of documentation. And no other high street lender wanted it.

Mr and Mrs V repeated that Nationwide caused considerable delays, just in clarifying what sort of documentation it would accept for their lending to be fully considered. And they said Nationwide kept replying to their broker, not to them.

Our investigator didn't change her mind. She said Nationwide wouldn't know until the valuation was done whether the property would fall outside of its lending criteria. And she said Nationwide had then asked for a PCC or a building warranty. That's in line with how Nationwide treats newly converted homes which have been significantly altered or refurbished.

Our investigator did think Nationwide had been communicating with Mr and Mrs V's broker, and she said it wouldn't have been aware of how long that it would take to get the building warranty they needed. She still didn't think Nationwide had acted unfairly.

Mr and Mrs V wrote again to say that they didn't know who the second valuer was, so our investigator has since shared this with them. And they said their house wasn't a "new build" in law, because the house was occupied before, through out and after the build. They didn't think Nationwide was consistently applying its own lending criteria to applications, causing confusion. And they didn't think we'd taken account of the delays. They thought it was unfair that it took Nationwide over two months to advise if a retrospective warranty was suitable. They still thought Nationwide had deliberately delayed the process to "*run the clock down*". They wanted an ombudsman to consider their complaint, so this case was then passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold a small part of it. This is what I said then:

I should say at the outset that I understand Mr and Mrs V may be disappointed, as my

decision isn't substantively different to that of our investigator on the key points where Mr and Mrs V wanted to recover losses. They wanted Nationwide to pay back the money they paid for a building warranty, which was £5,286, and about £16,000 that they were charged by Nationwide in ERC when they moved their lending elsewhere. I'll explain below why I don't think Nationwide has to pay those amounts.

But I do think Nationwide did cause one delay here, because it could have told Mr and Mrs V about all the concerns it had over their lending a little earlier, on 12 June, and it didn't do that. That meant Mr and Mrs V made a second application to Nationwide later that month which was declined, when they could have started the process to move their lending elsewhere. It doesn't seem likely, given the general trends in the mortgage market at that time, that Mr and Mrs V would have obtained a lower interest rate if they'd moved their mortgage earlier. However, I do think that was a lapse in service, and Nationwide should pay £100 in compensation for that.

I'll now return to the main issues which Mr and Mrs V raised with us. They applied for additional borrowing in January 2024. This appears to have been in order to complete building works extending the living space in their home, which was already well advanced at the time.

Nationwide approved lending of £125,000 in principle, and wanted to value the property before it would make an offer. I can see that Mr and Mrs V told us later that they were living in the property throughout, but notes from the time suggest they delayed the valuation, saying they were living elsewhere at the time, because the property wasn't finished, and didn't have both a kitchen and bathroom.

Nationwide changed valuers before the inspection was carried out. Mr and Mrs V have queried why this was done, but it looks as if it took some time for Mr and Mrs V to say they were ready for the valuation to go ahead, and by the time that happened, the work was assigned to a different firm on Nationwide's panel. I don't think that there was any ulterior motive in this, as Mr and Mrs V seemed to suggest, and I've no reason to think that any other valuation firm would have reached a different conclusion on this property.

When the valuer did attend the property, on 6 March, they said the property had been very substantively changed from its previous condition, having more than doubled in size. The valuer's report said the property wouldn't be suitable security for lending without either a PCC or a warranty.

Mr and Mrs V have disputed the report's description of the changes to the property, stressing that this was classed as "minor works" under the relevant building regulations, and saying the house still occupies the original footprint. However, the building certification document they sent us mentions both a single storey extension, and a first floor extension, so it seems likely that the property has been extended on a ground floor level from its original footprint, as well as turning the first floor into new living space. So it does appear to have more than doubled in size, as the valuer suggested.

Whilst Nationwide isn't responsible for the content of the valuer's report, I don't think that Nationwide should have rejected this report as clearly in error, as Mr and Mrs V appear to be suggesting.

At one point, Nationwide sought to explain why it was asking for more documentation for the property, saying that the extent of the changes Mr and Mrs V had made meant it was effectively a "new" property. I then think there's been some confusion about whether this house falls under Nationwide's definition of a "new build" property.

Mr and Mrs V have sought to argue that this isn't a "*new build*" in law. But I think that all the valuer was saying here, was that the changes to the property were of such a scale, that simply complying with building regulations would not be enough in this case to reassure the valuer (who, in turn, reassures Nationwide) that this property would be suitable security for lending. So the valuer's report here suggests either a PCC or a warranty would be needed.

Nationwide can reasonably be expected to have expertise in mortgage lending, but that doesn't mean it's an expert on properties and their value. It asks an expert, the valuer, to provide advice on that. And here, I don't think it's unreasonable for Nationwide to have relied on the advice that valuer gave, which was that Nationwide should seek the extra reassurance of a PCC or a warranty in this case.

Mr and Mrs V said Nationwide initially asked for a building work certification document, but then rejected that, and in total took around two months to confirm the sort of documentation it would accept for their property. They said Nationwide should have known what it needed, and asked for that right away. But I don't think that's right. I can see that Nationwide shared the comments on the valuer's report with Mr and Mrs V's broker right away, on 7 March. I can't see that Mr and Mrs V's broker responded to this at the time, and I can see that Nationwide chased on 13, 19 and 21 March.

It wasn't until 21 March that the broker said they were working to secure the relevant documentation. Mr and Mrs V have told us they sent documentation showing the completion of building work on 23 March. I do think it's likely Nationwide would also have wanted to know that the building work which was ongoing when its valuer visited, had now been completed. But I can't see that this was what the valuer had asked for.

In early April, Mr and Mrs V's broker asked Nationwide about a retrospective PCC (which Nationwide wouldn't accept) then on 26 April they offered the more expensive building warranty. On Wednesday 1 May, Nationwide asked what warranty they were offering, and having been given the details, Nationwide confirmed after the bank holiday weekend, on Tuesday 7 May, that this would be acceptable.

I do think that Nationwide had shared at the start what documentation it was likely to accept to move things forward, and I think it then responded reasonably promptly to the subsequent enquiries that Mr and Mrs V, and their broker, made. I don't think Nationwide caused a delay of weeks or months at this point, as Mr and Mrs V suggested.

Before Mr and Mrs V were able to secure the building warranty, their existing DIP expired. I can see that their broker was alerted to this. However, Nationwide continued to work on the basis that Mr and Mrs V would still want this lending, and that appears to have been their position at the time too. But after 23 May, Nationwide received no further communication from Mr and Mrs V's broker, and no response to its further chasing. So on 11 June, it closed this case.

I note that the original application had been made in mid-January, and requested documentation had been outstanding since early March. I don't think it was unreasonable for Nationwide to close the application on 11 June. And I don't think that Nationwide deliberately ran down the clock so Mr and Mrs V's application could be cancelled. On the contrary, I can see that Nationwide repeatedly and regularly chased Mr and Mrs V's broker to check on progress. It had received no response on a number of occasions.

Mr and Mrs V said they'd asked Nationwide to communicate with them, not with their broker. But they started this application through a broker, and that broker doesn't just collect commission on the sale. The broker also carries responsibility for explaining to Mr and Mrs V how the mortgage works, and supporting them through the process.

Lenders take a different approach for applications made through a broker, and for applications made directly to them. So it's difficult for Nationwide to do what Mr and Mrs V apparently wanted, which is to switch a broker-led application to an application where they were the main contacts. I don't think it was unreasonable for Nationwide to say, after Mr and Mrs V's first application was closed, that if they still wanted this lending, and didn't want their broker involved any more, they would have to reapply directly to Nationwide.

I know this second application was then turned down. And again, I don't think that was unfair or unreasonable here. Mr and Mrs V's financial position was unfortunately quite different by this time, as they'd had to take a significant amount of extra borrowing to complete work on their home. I've explained above that I understand Nationwide already had concerns about that before the second application was done, and should pay £100 because it didn't share those concerns with Mr and Mrs V promptly. But unfortunately, it appears that those concerns didn't emerge until after Mr and Mrs V had paid for the building warranty they secured. So I don't think Nationwide has to cover the cost of that.

I understand that Mr and Mrs V then moved their lending elsewhere. They told us they would have to pay a large ERC to do that, but they haven't suggested that this wasn't in line with the fixed interest rate deal they'd previously taken out with Nationwide.

Nationwide charges an ERC not simply as a profit, but as a way to recover the costs of lending, if someone redeems a mortgage before that fixed interest rate period ends. Financial services rules mean that the ERC has to be a reasonable pre-estimate of the costs incurred to a lender as a result of borrowers repaying their mortgages back early. I don't think Nationwide has to pay this money back to Mr and Mrs V.

So I will ask Nationwide to pay Mr and Mrs V £100 now. I know that they will be very disappointed by this, but I hope I've explained above why I don't think Nationwide has to do any more.

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 wrote to accept my decision. Mr and Mrs V wrote to object. They said they still felt the requirement for a building warranty was the major issue. They said Nationwide had applied its own criteria which doesn't conform with the criteria set down by the professional body for surveyors. And they said giving a valuation of nil to a property where the plot alone had a value of £400,000, was abhorrent.

Mr and Mrs V said I'd spent time explaining the lending criteria for Nationwide, and how it hadn't deviated from those. But they said those criteria weren't available to them during this process, they were only provided from the website during our investigation.

Mr and Mrs V said that although it wasn't directly linked to this process, they wanted to know how Nationwide could have lent them £100,000 at the start of the building work, with no request for build warranties then. They said Nationwide knew then the money was for home improvements and extension work, and they thought Nationwide was picking and choosing when to apply any criteria. They thought that meant Nationwide wasn't appropriately managing its own risks, and that this inconsistency also had some role in this complaint.

I should say at the outset, that my decision is in two parts. The first substantive section, titled "*What happened*" above, sets out the case before it came to me, providing a summary of the arguments from both sides, and the view of our investigator.

I didn't reach the same conclusion here as our investigator, so my decision was provisional. So the second substantive section above, titled "*My provisional decision*" sets out my conclusions on the case.

In that section, I focussed not on whether Nationwide had followed its own procedures, but whether its choices here were fair and reasonable ones. So I don't think that Nationwide's definition of a "*new build*" property is key to this case. I thought Nationwide's valuer had simply concluded the changes to the property were of such a scale, that Nationwide should ask for PCC or a warranty. And I said it was also fair and reasonable for Nationwide to accept its valuer's advice here.

I should also clarify that a valuation for mortgage purposes isn't the same as a valuation for sale. A valuation of nil doesn't mean the property is worthless.

What the valuer was doing here was assessing whether Nationwide should lend more money on this property. If there's anything about a house that might mean it doesn't generate as much demand in the market, then lenders want to know this before they offer an increase in lending secured on that property. So what this valuer did was reach a decision on the likely saleability of this property, if it was sold without any warranty to cover the extensive work recently completed.

Our service doesn't have jurisdiction over valuers, so it's not my role to criticise that decision. But I don't think that Nationwide was wrong to ask a valuer to reach an expert opinion before it offered any more lending on this property. And when a valuation comes back as nil for lending purposes, it's not automatically wrong. So it's not unreasonable for Nationwide to rely on that expert opinion when it's making lending decisions.

Mr and Mrs V have now said they feel Nationwide's choice to require a building warranty before it would offer any increase in lending when the work was almost complete, was inconsistent with its position on extra lending before that work was started. I have explained why I think it was fair and reasonable for Nationwide to make that request, in response to the lending application Mr and Mrs V made in January 2024. That's the lending application which is the subject of this complaint. If Mr and Mrs V would now like to argue that this undermines a lending decision Nationwide made previously, or that there were other flaws in the earlier lending decision, then I would have to ask them to raise those concerns with Nationwide in the first instance. I can't add this into Mr and Mrs V's complaint now.

For those reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Nationwide Building Society must pay Mr and Mrs V £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 25 February 2025.

Esther Absalom-Gough

Ombudsman