

The complaint

Mrs M and Mr M complain that Nationwide Building Society misrepresented the terms of the further borrowing they applied for.

What happened

In early 2024, Mrs M and Mr M applied for £120,000 in additional borrowing to help part-fund a renovation of their home. After some initial delays, a mortgage offer was issued on 4 April 2024.

The mortgage offer set out that just over £26,000 of the additional borrowing would be retained until the works were completed to the satisfaction of Nationwide's valuer.

Mrs M and Mr M wanted clarity on what was meant by "completed" so several interactions with Nationwide ensued with Mr M pressing for the criteria the surveyor would be looking for in determining whether the works were complete. Mr M highlighted that if it meant the whole renovation had to be complete then this would not work for them as it would not be, and that they would need the full £120,000 released before they could complete the works.

Nationwide did not provide Mrs M and Mr M with a definition or criteria to support what "completed" meant and the funds were drawn down on 8 April 2024.

In June, Nationwide agreed to release £15,000 of the retained funds as a gesture of goodwill to help Mrs M and Mr M meet their invoices and continue the renovation. Nationwide reiterated that it would not release the remainder of the funds until the works had been completed.

Unhappy with Nationwide's process, Mrs M and Mr M complained.

Nationwide issued two final response letters. In the second, it agreed that it had not made it clear what state the property needed to be in to release the retention despite Mr M's continued efforts on this point. It also accepted that it wasn't until the point of responding to the complaint that it had elaborated on this point and that its responses to Mrs M and Mr M had been unclear. Nationwide also accepted the wording in its offer could give the understanding that the work was to be completed to the value of the loan, not the work needed to make the property fully mortgageable for its security.

In light of this, it offered Mrs M and Mr M £300 in compensation.

Mrs M and Mr M didn't accept Nationwide's offer and instead, referred their complaint to our Service. They want Nationwide to waive the interest they have paid on the additional borrowing to date, compensate their family members for the lost interest on funds Mrs M and Mr M borrowed from them to cover the shortfall. And Mrs M and Mr M want to be compensated for the distress and inconvenience they were put through because of this.

I issued a provisional decision in January of this year, increasing the amount of compensation due. In summary I said:

- It was clear and accepted by both parties that Nationwide had not explained what “completed” meant despite Mr M’s numerous attempts to clarify this point.
- Without having received clarity as to the ‘state’ the property needed to be in for a full release of the funds, Mrs M and Mr M chose to draw down the funds and carry on with their renovation.
- I was not persuaded by Mrs M and Mr M’s comments that they would not have gone ahead with the loan or renovation had they been given the correct information from the outset. For this reason, it would not be appropriate to direct Nationwide to refund the interest they had accrued on the loan.
- It was clear from the exchanges between the parties that Mrs M and Mr M put a significant amount of effort in to try to get clarity on the steps they would need to take to receive the full funds. This was during an already stressful time and caused them financial hardship. So, I did not think Nationwide’s offer of £300 sufficiently recognised the level of avoidable distress and inconvenience caused by its actions. I recommended the amount be increased to £500.
- I set out that it would not be appropriate to award for third-party losses or Mr M’s hourly rate as requested by Mrs M and Mr M.

Nationwide responded to my provisional decision to say it accepted my findings and would increase the compensation to £500.

Mrs M and Mr M responded with further comments they wanted me to consider before I issued my final decision. In summary they said:

- They were not in financial difficulty in June 2024, and it was only later, that they experienced difficulty as Nationwide went against what they believe to have been the agreed position. Mrs M and Mr M want it clarified that they did not request funds to ‘cure’ a shortfall, they reached out to follow the process as they understood it and Nationwide’s “about turn to its agreed terms” then led to the financial distress they suffered.
- If Nationwide had notified them on 19 April 2024 of the full requirements to have the retained funds released, they would have repaid the loan, as they did not have the funds to complete the works. By the time clarity was provided, they had already committed to the kitchen and structural works which they were unable to pull out of. In light of this, they believe it would be fair to refund the interest they otherwise would not have been paid – or at least 50% of that interest as a compromise.
- It should be a significant finding that Nationwide had the answer to what “completed” mean before they entered into the agreement. This is a clear case of misrepresentation which had it not occurred, could have saved them a considerable amount of time and effort. This should be considered in more detail.

As both parties have now responded and the deadline for doing so has now passed, it is appropriate for me to issue my 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.

Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Having considered this case again, including the most recent submissions, I intend to reach the same outcome as set out in my provisional decision. I realise this will come as a disappointment to Mrs M and Mr M who feel strongly that Nationwide should be held to account for its actions and that a higher level of compensation is due. But I hope my explanation helps them to understand why I have reached the conclusions I have.

I set out in my provisional decision that Nationwide agrees with Mrs M and Mr M. It did not make its offer wording clear enough and its responses to Mr M's significant efforts to seek clarity were lacking. So, I do not need to comment on whether Nationwide made it clear what "completed" meant – it is accepted that it didn't. Instead, I need to decide what the impact of this unclear information was on Mrs M and Mr M.

Initially, Mrs M and Mr M said that, had they been given the correct information up front, they would not have gone ahead with the loan. Instead choosing to delay the renovation to allow them to save further funds. I set out in my provisional decision that I was not persuaded by this comment. Mrs M and Mr M had already lined up builders for the works, some of it had commenced by the time the loan was drawn down and the loan was not for the entirety of the works. Having considered this case again, I remain of this opinion. And as I'm not persuaded Mrs M and Mr M would've declined the loan, it follows that I do not intend to award the interest they have accrued on the loan to date. They have had the benefit of the loan, and it has enabled them to part fund their renovation, so it would not be appropriate to waive the interest charged.

On this point, Mrs M and Mr M have said that had they been given the correct information on 19 April 2024, they would have repaid the loan as at that stage they had not financially committed to things such as the new kitchen and structural works. I have considered this carefully but I'm afraid I am not persuaded by this suggestion either.

It must be noted that Mrs M and Mr M chose to go ahead with the loan while uncertainty about what "completed" meant remained. They had not received a satisfactory answer from Nationwide by 8 April 2024 on this point, but they chose to commence works with the hope that they would be able to satisfy the valuer. Their actions here do not suggest to me that they would have been willing to walk away from the renovation in the way they have described, particularly if it had already started. So, for this reason, I am not going to direct Nationwide to refund the interest Mrs M and Mr M incurred on their loan.

Mrs M and Mr M say Nationwide being aware from the outset what "completed" was likely to mean but not sharing this information is a clear case of misrepresentation. They feel this is a significant finding and more consideration ought to be given to it. I set out above that all parties agree that Nationwide could and should have been clearer about what was needed to release the retained funds – this is not in dispute. But its failure to provide clear information on this point does not mean I should automatically uphold this case in the way Mrs M and Mr M are seeking.

It is not the role of this Service to punish businesses or make punitive awards. Instead, in acknowledging that Nationwide made an error, I need to then consider what the impact of this was on Mrs M and Mr M. And for the reasons set out above, I am not persuaded that Mrs M and Mr M would not have gone ahead with the loan had the error not occurred. For that reason, awarding financial compensation in the form of a refund of interest would be

inappropriate.

I have however considered the notable inconvenience this series of events causes Mrs M and Mr M – including the details set out in their most recent submissions.

Nationwide could've avoided much of the distress and inconvenience caused to Mrs M and Mr M in this case. The length of time it took for Mrs M and Mr M to be given the correct information during what would have already been a stressful time was unreasonable and the efforts they had to go to in order to get this information were significant. Having considered this carefully, I am satisfied an award of £500 reflects the distress and inconvenience caused and is in line with our general approach to such awards.

My final decision

For the reasons detailed above, I uphold this complaint against Nationwide Building Society and direct that it compensates Mrs M and Mr M as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 12 March 2025.

Lucy Wilson
Ombudsman