

## The complaint

Mr M and Miss W complain that Nationwide Building Society didn't inform them of its loan to value requirement for new build properties when it gave them a mortgage decision in principle.

## What happened

Mr M and Miss W are represented in this complaint by Miss W's father. But, for simplicity, I'll refer to the complaints and comments made as if they came directly from Mr M and Miss W.

Miss W had a mortgage with Nationwide which included an early redemption charge up to 31 March 2026. She wanted to port that mortgage product to a new property she was buying with Mr M. The successful porting of Miss W's mortgage product to the new property would have meant Miss W could retain the existing mortgage interest rate and would not have to pay an early redemption charge. On 23 March 2024 Mr M and Miss W obtained, a decision in principle from Nationwide, via its website, for: *"£253,995 for 35 years with a loan to value of 95%"*. Mr M and Miss W proceeded to pay a £500 reservation fee to the developer for a new build property, before making a full application for their new mortgage.

However, their subsequent mortgage application was rejected because Nationwide do not offer loans of 95% loan to value on new build properties. Mr M and Miss W say they had committed to the new build property, and it was too late to renegotiate their incentive package. And that left them no option but to obtain a mortgage from another lender – meaning Miss W had to redeem her mortgage with Nationwide and incur an early redemption charge.

Mr M and Miss W say they should have been told that Nationwide doesn't accept 95% loan to value mortgage applications for new build properties when they applied for the decision in principle. They also say Nationwide hasn't fully co-operated with their requests to provide transcripts of the subsequent calls they made to Nationwide, during which a Nationwide representative admitted that the website was misleading. They complained to Nationwide.

In its final response letter, Nationwide said it had correctly applied its lending criteria for new build properties in this case. It also said its on-line decision in principle system uses 95% as a maximum loan to value because the majority of customers using it at that stage haven't decided on a property to purchase. And it said the decision in principle is only an indication of the amount it may be prepared to lend – it's not a formal offer of lending. But it did offer Mr M and Miss W £75 as a gesture of good will because the issue had caused some confusion, and it had taken Nationwide some time to explain the reason the outcome of the two different application stages differed.

Dissatisfied with Nationwide's response Mr M and Miss W asked us to consider their complaint. Our investigator didn't uphold Mr M and Miss W's complaint. He said he hadn't seen any evidence to suggest that Mr M and Miss W were guaranteed their porting application would be successful or that they were told an application for 95% LTV would be successful on their chosen or any other property. He also said he didn't think the decision in principle alone should have led Mr M and Miss C to make a binding agreement on a new

property. Our investigator also said we don't consider complaints about complaint handling unless it is ancillary to the activity complained about. So, he didn't consider the provision of call transcripts (or failure to do so) for the purposes of Mr M and Miss W making their complaint.

Mr M and Miss W didn't agree with our investigator's opinion. In response, they said their losses would have been avoided if the online application process for a decision in principle made it clear that 95% loan to value mortgages were never available for new build properties. Mr M and Miss W say they didn't want to leave Nationwide but their commitment to the new property following the decision in principle left them with no choice. They believe Nationwide's actions amount to an unacceptable business practice which is designed to mislead people into incurring an early redemption charge. They said they've taken reasonable steps to ensure they would be accepted for the mortgage, so it was reasonable for them to make a commitment to the new property builder.

As Mr M and Miss W don't accept our investigator's opinion their complaint has been passed to me for a 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.

Having done so, I think this complaint boils down to a misunderstanding about what a decision in principle is and what it is designed to say to a potential borrower. Our investigator has already said that he didn't think anything said in the phone calls Miss W and her father had with Nationwide amounted to a guarantee that their application would be successful or that an application for 95% LTV would be successful on their chosen or any other property. Mr M and Miss W haven't disputed that. So, to decide this complaint, I've thought about whether the decision in principle misled Mr M and Miss W and whether it should have stipulated, as they've claimed, that Nationwide doesn't offer 95% loan to value mortgages for new build properties.

Firstly, I'd like to say that I do understand the frustration experienced by Mr M and Miss W in these circumstances. I don't doubt that, having decided on a property, it was important to them that they were successful in its purchase, and that they would have found they were in a difficult position having made a commitment to it. But to uphold their complaint, I'd need to be persuaded that Nationwide were the cause of the situation they found themselves in – in this case, because the decision in principle was unclear or misleading.

My understanding of a decision in principle is that it is an indication of how much a lender is prepared to lend based on a number of questions the borrower answers relating to affordability. I wouldn't expect a decision in principle to be based on a specific property or properties with specific characteristics. I would expect a decision in principle to be subject to full underwriting – the assessment of evidence of income and the suitability of the property to be mortgaged. And I would expect that it be subject to all of the prospective lender's lending criteria.

I wouldn't necessarily expect the prospective borrower to have the same understanding as I've outlined above. So, I think it's important that a decision in principle gives a clear indication that it is subject to lending criteria and is not a mortgage offer.

As I've said above, Nationwide's decision in principle to Mr M and Miss W said:

*“Congratulations [Mr M and Miss W], we could lend you £253,995 for 35 years with a loan to value of 95%”*

It goes on to say:

***“Legal information***

*Remember, a Decision in Principle isn’t a mortgage offer. It doesn’t reserve you a particular mortgage product or rate. Any new Decision in Principle result we give you will replace your previous result.*

*Any mortgage offer will be subject to:*

- *Nationwide Building Society lending criteria (which may change)*
- *The valuation and suitability of the property*
- *A more thorough check of your income and outgoings*
- *The information you’ve given us being correct and complete.”*

I think the information given in Nationwide’s decision in principle satisfies the need to make it clear that it isn’t a mortgage offer and that it’s subject to further criteria. Most significant in this case is that it confirms that any actual mortgage offer will be subject to *“the valuation and suitability of the property.”* So, I think that, combined with the fact that no questions were asked specifically about the property, should have been sufficient to reasonably alert Mr M and Miss W to the fact the decision in principle had not taken the property into consideration. And it was therefore a decision on Nationwide’s willingness to lend the specified amount based solely on affordability and – as it conducted a credit search – Mr M and Miss W’s ‘credit worthiness.’

Mr M and Miss W have said their losses would have been avoided if the online application process for a decision in principle made it clear that 95% loan to value mortgages were never available for new build properties. I understand why they would think that, particularly as the matter of new build properties was central to their concerns. But there would be many property characteristics that could have an impact on a lender’s willingness to lend – be that entirely or that it would impact the allowable loan to value.

As I’ve explained, the characteristics of a property are not the basis of a decision in principle so I wouldn’t expect all the lender’s lending criteria around property characteristics to be explained during the decision in principle process or in the document itself. Nationwide does provide information on its website specifically about eligibility for 95% loan to value applications. And in that information it says:

*“You cannot be buying a new build home.”*

So, I think that information was available to Mr M and Miss W and could have been accessed before they applied for a decision in principle or before they were financially committed to the new build property.

Overall, while I understand Mr M and Miss W’s frustration, I don’t think Nationwide has acted unfairly or unreasonably. I say that because I think its decision in principle was clear that it wasn’t a mortgage offer and an offer would be subject to lending criteria including the suitability of the property to be mortgaged. And I don’t think Nationwide’s decision in principle needed to include information specifically relating to new build properties – because it didn’t take the property into account and, in any event, that isn’t the only potential property characteristic that is relevant in its ultimate decision to lend.

I would also note that, like our investigator, I don't think the gathering of information – in this case call transactions – for the purpose of making a complaint is a complaint point we would consider. So, I haven't done so here.

### **My final decision**

My final decision is I don't uphold Mr M and Miss W's complaint about Nationwide Building Society.

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

Gavin Cook  
**Ombudsman**