

The complaint

Mr and Mrs J complain that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY wouldn't lend them extra money on their mortgage, because it said they had bad debts. Mr and Mrs J said there was nothing whatsoever on their credit files to support that.

What happened

Mr and Mrs J said they wanted to extend the mortgage on their home, to fund the purchase of a new property. In October 2024 they applied online, but said they were turned down at the very earliest stage. When they queried this with NatWest, it told them they both had bad debts showing on a credit search, so it wouldn't be able to lend to them. It couldn't offer them the amount they wanted, or indeed any extension on their existing borrowing at all.

Mr and Mrs J said they thought they both had perfect credit records. But they said they'd checked their credit files just in case. There was nothing at all amiss on those files. So they asked NatWest to carry out a manual review on their borrowing application. It refused.

Mr and Mrs J said they'd had similar problems in the past, when they wanted to buy a property in 2023. A sizeable offer of lending had suddenly been retracted then, apparently because of credit file problems, even though they'd had flawless credit records back then too.

Mr and Mrs J said they felt they should probably have complained the first time this happened. Since then they had paid back a significant part of their existing mortgage, but when they made their more recent borrowing application, the same thing had happened again. And they said this was impacting on their household income, as it was preventing them from increasing their buy to let property business. So they wanted something done about it.

NatWest sent Mr and Mrs J a complaint response that said it couldn't proceed with an application if one or more applicants had impacts to their credit file. It then wrote again to say it couldn't manually review a lending application where the reason for the decline was a credit score.

When this complaint came to our service, NatWest told us that because Mr and Mrs J's application was done online, and failed at the very earliest stage, NatWest didn't have any information about the reasons for refusal.

Our investigator didn't think this complaint should be upheld. I won't set out his view here, as I haven't adopted it.

Mr and Mrs J remained unhappy, and they asked for an ombudsman's review of their complaint. This case then came 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 did propose to uphold it. This is what I said then:

When this case came to me, I asked NatWest for some more information. In reply to my request for information on why Mr and Mrs J were turned down for additional lending, NatWest has said that this application was done online, and failed because of credit scoring done on Mr and Mrs J.

NatWest said it had very limited information on why a mortgage was turned down in those circumstances. It said it certainly couldn't give the sort of detailed information about why an application had been declined that Mr and Mrs J told us they'd been given. Even if there had been an issue with a bad debt for Mr and Mrs J, NatWest said it just wouldn't get that sort of detailed information on the reasons for a decline.

I then asked NatWest, if it wasn't able to say more about Mr and Mrs J's declined application, if it could comment on why Mr and Mrs J had reached the view that NatWest had turned them down because of "bad debts". The core of their complaint is that NatWest told them this, and it isn't true. Mr and Mrs J said they had a call with NatWest, where it told them this, so I asked NatWest to send our service this call.

NatWest has now sent our service two calls that Mrs J had with NatWest in October 2024. On the first of those, Mrs J discusses a potential remortgage application, to extend the borrowing on her current home. Mrs J decided to apply online for a mortgage decision in principle.

On the second call, Mrs J rang back, and said she'd applied for a decision in principle. She had been refused, and the possible reasons given for that didn't apply to her. Mrs J said she thought there was a problem with the credit score. She said her credit score was excellent, but referred to previous problems with an application in 2023 which was refused when they wished to increase the borrowing.

The agent said she didn't know why Mrs J had been refused, but could view more details if Mrs J would go through a new application with her on the call. Mrs J accepted the agent's suggestion, and went through a fresh application on the phone, so NatWest could see this application. After a brief hold, the agent said she got the same result. Borrowing for the amount Mrs J wanted was declined, and the agent said she'd tried again with a very much lower amount, but that didn't change the outcome.

The agent then said very clearly, that both Mr and Mrs J were showing as having bad debts.

It's concerning that NatWest did have some information about why Mr and Mrs J were turned down for additional lending, which it didn't share with our service. There must have been some confusion here, because NatWest's previous responses to us do appear to have suggested that it could not access the detail which its agent apparently saw, and reported to Mr and Mrs J, on this call.

I could understand if this has shaken Mr and Mrs J's faith in their mortgage lender.

So it appears that NatWest did refuse Mr and Mrs J additional mortgage borrowing, because it considered they both had bad debts. Mrs J sent us evidence that Mr J had raised this with a credit reference agency, and been told there is no such bad debt on his record.

I have now seen the full credit files for both Mr and Mrs J. Although these files are more

recent than the application, they show no negative marks. Mr and Mrs J don't have bad debts, and they don't appear to have missed a single payment in the last six years. Taking all the evidence together, including Mr and Mrs J's statements to us, the two full credit files that I have seen, and the history of overpayments to their NatWest mortgage, it seems very unlikely that Mr and Mrs J really did have bad debts when they made their application to NatWest in October 2024.

NatWest doesn't have to lend Mr and Mrs J more money, if it doesn't wish to do so. However, when it does take a decision about lending, that decision should be fair. I haven't been able to see that the decision NatWest took in this case, was fair. It also doesn't appear to me that NatWest's subsequent response to their complaint was fair.

Because Mr and Mrs J's borrowing application was refused at such a very early stage, I cannot be sure if NatWest would eventually have lent to them or not. And, because of a number of factors present here, including that NatWest doesn't appear to know what has gone wrong, and that Mr and Mrs J have told us that the same thing has happened to them before, I also cannot be sure that any request to NatWest to reconsider a lending application would not simply be subject to the same problems.

I understand that Mr and Mrs J took out a new fixed interest rate on their mortgage in 2023, and if they decided to move their lending elsewhere, they would currently be subject to an Early Repayment Charge ("ERC"). Given all that has happened in this case, I think it is appropriate to ask NatWest to waive any and all ERC currently in place on Mr and Mrs J's borrowing on their home, to allow them to move their mortgage elsewhere if they wish to do so. If they still want to secure additional lending, they could then do so at the same time.

Mr and Mrs J also told us that failure to secure this borrowing meant they couldn't move ahead with the purchase of a new rental property, so they'd lost out on possible income. As I've said, I cannot be sure that NatWest would ultimately have lent what Mr and Mrs J wanted. And, as Mr and Mrs J will be aware, many other things can go wrong with a house purchase. So I can't simply pay them the possible income they might have secured, if the lending application had gone through, and they had managed to buy a house they wanted, and also found good tenants for that property quickly. But I do think they missed out on the chance of all of the above, as well as having been provided with a deeply disappointing service by their mortgage lender. For those reasons, I will ask NatWest to pay £1,000 in compensation now.

My provisional decision is that this provides a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing 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.

NatWest acknowledged receipt of my provisional decision, but didn't respond. Mr and Mrs J replied.

Mr and Mrs J told me that they had already redeemed this mortgage, in January 2025, because they were no longer happy to have NatWest as their lender. They said they paid £280.17 as an ERC. They said they still had another small mortgage with NatWest, which they would also like to redeem. That currently has an ERC of £519.36. Mr and Mrs J asked

me to change my decision to require NatWest to waive that charge instead, so they could be free of NatWest as a lender.

Given the events of this case, I understand why Mr and Mrs J wish to move all their lending elsewhere, and indeed, why they have already redeemed the mortgage on their main home. However, the concern raised with me was that NatWest wouldn't allow further borrowing on that mortgage, which was stopping Mr and Mrs J from moving forward with their landlord business.

Moving their main mortgage elsewhere has hopefully assisted with this. So I think that the appropriate resolution here is to ask NatWest to refund the ERC they were charged in January 2025, which then allowed them to extend this borrowing if they wished to. And I continue to think that a payment of £1,000 in compensation is appropriate, to reflect the lost chance of securing a new rental property much earlier, as well as the distress caused by the poor service NatWest provided.

Mr and Mrs J haven't suggested that there are similar reasons for moving the last mortgage they still hold with NatWest, in advance of the ERC on that expiring on 1 February 2026. So I don't think it's also fair and reasonable to ask NatWest to waive this ERC for them now.

I have considered whether it's appropriate to issue a revised provisional decision in this case. However, I'm satisfied that the resolution I'm now proposing is, at its core, the same as that suggested in my provisional decision, so I don't consider that's necessary here.

I'll now make my final decision.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY must refund the Early Repayment Charge applied to the redemption of the mortgage lending on Mr and Mrs J's home which took place in early 2025, and must also pay Mr and Mrs J £1,000 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 24 June 2025.

Esther Absalom-Gough

Ombudsman