

The complaint

X complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) misled her about whether she would be able to obtain additional borrowing on her mortgage, and then refused her application.

What happened

X had a mortgage with NatWest. She planned to carry out substantial work on her property. This included ripping out and replacing the kitchen and bathroom, as well as other work including replacing the roof and windows and internal works.

X says NatWest told her that if she removed the kitchen and bathroom before a valuation took place, it might reduce the amount she could borrow and a non-standard valuation would be required. She says that she was reassured by that on the basis that she could then re-apply for further funds once the kitchen and bathroom had been reinstated, so she went ahead with the works. However, when NatWest sent a surveyor to value the property, the surveyor gave it a “nil valuation” – meaning the property was not suitable for lending at all – because without a kitchen or bathroom it was not habitable. NatWest therefore refused to offer any additional borrowing, causing X problems because she had already started the work and was liable for building costs.

X complained. She said she had been misled. She had been told in a call on 10 September 2024 that removing the kitchen and bathroom might reduce the value of the property and thus the amount she could borrow if a valuation proved necessary as part of the application. But she wasn't told it would mean she wouldn't be able to borrow at all. Had NatWest made her aware of that, she wouldn't have instructed the builder to start work and remove the kitchen and bathroom before the valuation took place. She said that without the additional borrowing she couldn't complete the restoration of her property. She wanted NatWest to agree to lend the amount she needed – if not as a further advance on her mortgage, then as a personal loan but at the same interest rate and terms she would have got on the mortgage.

NatWest said it had told X that removing the kitchen and bathroom would result in a nil valuation. She then proceeded with an application and an underwriter instructed a surveyor, who produced a nil valuation. It said that meant it couldn't lend. It offered £100 compensation for delay in the progress of her online application caused by failing to cancel an appointment with an adviser properly.

Our investigator didn't think the complaint should be upheld. He said, having listened to several call recordings, that NatWest had made clear that removing the kitchen and bathroom before a valuation would result in a nil valuation. He hadn't heard any evidence of NatWest advising X that she might still be able to go ahead with reduced borrowing. He said that NatWest had made a reasonable lending decision based on its lending criteria of not lending on a property that is uninhabitable at the point of application.

X didn't accept that and asked for an ombudsman to review her complaint. She accepted that she had been told that on other calls, but said that in a call on 10 September

she had been told that lending would still be possible. She thought that meant that NatWest was correcting wrong information she had previously been told, and she relied on what she was told in going ahead with the building work before the application completed.

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.

As a preliminary issue, X is unhappy that NatWest said her property would be treated as new build for the purposes of its lending criteria and loan to value limits. NatWest classifies properties as new build where they have been recently built or substantially refurbished or modernised. X says her property is 150 years old and had not been substantially modernised at the time of the application.

I don't think NatWest's decision to regard the property as coming under its new build criteria was unreasonable – while it was initially constructed many years ago, X's plans do involve very substantial refurbishment and modernisation, even if she hadn't completed them at the time of the application. In any case, this doesn't make a significant difference to the outcome of the complaint, because this was not the reason her application was refused and – had the nil valuation not happened – it wouldn't have affected the amount she wanted to borrow. So in the rest of this decision I'll focus on how NatWest handled X's application and its decision not to lend to her.

In my experience, it's standard for mortgage lenders to refuse to lend on property that is not habitable at the time of the application – defined as having a functional kitchen and bathroom, among other factors. That's because a property in that condition is worth much less and may be difficult to sell, and because residential mortgages are designed for properties that the borrower will live in (from which it follows that they must be capable of being lived in). Other than specialist mortgages (such as for self-build properties), that's the case even where the borrower intends to refurbish the property after completion.

At the time of her application, X's property had no kitchen, bathroom or stairs. Substantial works were in progress on the roof and internal walls and layout. [REDACTED] A property in that condition – even one in the progress of refurbishment – fell outside NatWest's lending criteria. As I've explained, that's not unusual across the mortgage industry. I don't think NatWest's decision to refuse to lend based on the valuer's report on the condition of the property at the time of the inspection was unreasonable.

However, I also need to think about whether NatWest misled X, as she says it did, about its criteria and the chances of her application being accepted. If it did, and the reason she proceeded with the work before completing her application was because she relied on that misleading information, then it may well have acted unfairly in putting her in that position.

I've therefore carefully reviewed all the evidence of what NatWest told X over time. There were three calls before the kitchen and bathroom were removed – an initial one on 6 September to begin the process. It was too late in the day to take things any further, so there was a second call on 10 September to do initial checks and apply for a decision in principle. This was followed by a call with a mortgage adviser for stage one of the formal application on 17 September. There ought to have been a stage two call after that, but the adviser that call was booked with left NatWest so the appointment didn't go ahead.

Below I've transcribed the relevant sections of the calls on 6, 10 and 17 September.

6 September	X	<p>"The only iffy bit is valuation, because my house is obviously in the process of being renovated, so at the minute it's got kitchen and bathroom, but later on it might not have kitchen and bathroom. If the valuer turned up once they'd ripped everything out, potentially that affects the value so I'm a little concerned about that. Hence why I'm having a personal loan as maybe a back-up choice."</p>
	NatWest	<p>"So the first thing to do is find out, let's see first of all if we're looking to lend you that money. If we are – so if we said no, we don't think that's a good idea, well then you know you've got to go down the personal loan route. If we at least try it and have a look we can take that. We don't always send a valuer out, you know, it depends how much equity you've got in the property and stuff. But yes, it is a risk. So maybe you delay ripping out the kitchen and the bathroom before the valuer, if you do go down the mortgage route and we think there's a valuer coming out. Because you're quite right, if they don't find those things in the property then they could well return a zero valuation on it."</p>
	X	<p>"Yes. If they do return a zero valuation, presumably I'd still be able to keep my current mortgage?"</p>
	NatWest	<p>"Absolutely you would ... It's just one of the standards we have, we don't lend money on houses if there isn't a kitchen or bathroom."</p>
10 September	X	<p>"When it comes to doing a valuation, it would be great if I don't have to do a valuation, because it would be absolutely typical that the valuation guy would probably arrive the second after I've ripped out the existing kitchen, at which point my house is de-valued. Obviously I've got to rip out the old kitchen and put in a new one, and the same with the bathroom. So over time it [the property's value] varies slightly but that seems like a believable figure."</p>
	NatWest	<p>"I'm not part of the ongoing application, but I don't think we come out if we're just doing borrowing, it's just a standard desktop valuation I believe, I don't even think we come out, it's not a proper one that we do, so I don't think anyone would come out anyway, just to let you know."</p>
	X	<p>"That would help, because then I wouldn't have to time it at exactly the right moment, you know, with the kitchen and bathroom."</p>
	NatWest	<p>"Definitely check with an adviser if we're going to book you in once I've been through it, check with them, because I'm not trained on that part. I don't think, I've been told before, again I'm not trained on the ongoing part, I'm sure it's not someone that comes out. Check with the mortgage adviser anyway if we are going to book you in if it does pass [affordability]."</p>

	X	<i>Later in the call</i>
	NatWest	<p>"...and then the valuation of the house, but you said I might not need to have the valuation."</p> <p>"Sure, it's only a standard one, from what I've been told previously, unless you wanted a proper one done, then that costs like £102, but this one's just a standard desktop one I believe."</p>
17 September	X	"It would be handy if I was below any threshold for valuations, purely because it's a right pain in the neck or would cost money potentially and it's a pain in the neck to schedule it and also my house, they're going to be taking the kitchen and the bathroom out, and if they turn up immediately after the kitchen and bathroom have been taken out then I've potentially got a problem..."
	NatWest	"Yes, because the property's not habitable"
	X	"... yes, not habitable, so to be honest my main priority is, whatever figure I get, is..
	NatWest	"Getting it done as soon as possible?"
	X	"No, it's a case of not having the valuation, the valuer actually turning up here, because I don't want the situation where they turn up just after I've taken out the kitchen and then just say no, blanket no."
	NatWest	"They could turn up, by the way. The level of value is set by the underwriting team, so it depends. Depends on how much you're borrowing, depends on the loan to value, but as I say I could never tell you what figure they won't do, because it's up to the underwriter's discretion.
	X	"Oh, OK"
	NatWest	"So I would say, anything that would make your property uninhabitable, hold fire, try and work around it for now, get the application agreed properly, if you can."
	X	"Yeah, the problem is, it's just it's so difficult to get builders and to get them to turn up and to do work and to keep working on it, it's just, I don't want to delay him, and he's already delayed the job by like eight weeks or something. That was recently, and it's been delayed before that. I've been waiting years for a builder, I don't want to stop him."
	NatWest	"No, but it can, they could still book in a standard valuation."
	X	"Right"
	NatWest	"The best thing I can advise you is, we need to get you booked in as soon as possible, get you to the next stage so you can get

		the application submitted, as soon as possible. When are you planning to rip out the kitchen and so on?"
	X	"I don't know. The builder says one thing and then does another."
	NatWest	"Right, all I want to say to you is, let him work, but as you know you're getting the mortgage agreed, the main thing is the property remains habitable, so there's bathroom, there's water, there's a kitchen and a bathroom while we get the assessment done if we can."
	X	"If he does what he's saying, then the plumber is turning up tomorrow to cut off the water. There will still be water to the property, but not to the kitchen and bathroom."
	NatWest	"That's why, as I said, there's water within the property, it's just trying to manage it around, because otherwise if you then get a valuer coming out, your property hasn't got those things in it, you would have to wait to get it done to get them back in to agree the application."
	X	"And I would need the money in the interim, to get those things done"
	NatWest	"Yeah. To try and manage expectations, but as I say just let him know. The process is quite quick if there is one, remember you're an existing customer, if we do submit a case and a valuation is needed to be done they're going to try and contact you as soon as possible to get that done. All I would say to you is keep your phone nearby and see what happens, but the next adviser will know more when they submit your application, they will put down what type of valuation you will get and what one we can offer you at this stage once I've finished. I don't think there was anything I saw from what was on my notes to say you were offered at HPI value..."
	X	"...house price index"
	NatWest	"... which means the underwriters could request a standard valuation, but it will be up to them."
	X	"Sorry, did you say has or hasn't?"
	NatWest	"Yes, so your application doesn't say we can use the HPI value, so the house price index value, for a quick application. It means that the underwriter will get your application and they will go to their surveyors and the surveyors, they will decide what level of survey, so it could be a desktop, a drive-by, it could be a standard. It's really up to the valuation team to decide on that once you get the application but they will try and do it as soon as possible."

In summary, X was told on the 6 September call that removing the kitchen and bathroom would result in a nil valuation, and that she should not do that before the application completed.

On 10 September, X was told that a physical valuation might not be needed at all, but that a mortgage adviser would need to confirm that.

On 17 September, X was told that a physical valuation might be needed, it would be up to the underwriter to decide – but that if it was required, and there was no kitchen and bathroom at the property that would result in a nil valuation and the refusal of her borrowing application. The adviser said she should delay removing the kitchen and bathroom until after the mortgage application completed.

However, X didn't do that. Instead, her builder did remove the kitchen and bathroom.

As I say, the second adviser appointment didn't go ahead, and X tried to apply online instead. But she couldn't, because the advised application was still live. X called NatWest again in October. In this call, she was surprised to be told that having removed the kitchen and bathroom might affect her application. Again, I've transcribed the relevant sections below.

X	"If you're going to be talking to a mortgage adviser, are they able to advise at what threshold I would need a revaluation, that would be great, because I'm a little bit flexible on the amount of money, and the builder's just taken out my kitchen and bathroom, so if the valuer turns up now it might cause problems. So if they're able to advise what amount they would actually lend without needing a valuation, that would be great because I could potentially borrow a slightly smaller amount."
NatWest	"... with a mortgage valuation, it's not the adviser who would do that, it would be up to the underwriter to decide if a valuation's needed. So during additional borrowing applications, sometimes they do need to value it, sometimes they don't. But it's up to the actual underwriter. The mortgage adviser wouldn't even be able to confirm that. But if it was, say for instance, now we did have to go out, if you don't have a bathroom or a kitchen in, they would have to rate it as a zero at the moment, because it's not a functioning property if there's not a bathroom or kitchen in, so I know they can put that down as zero if it's not there. They might need to wait for that to be done and come back again to then value it if need be."
X	"Sorry, did you say I wouldn't be able to get additional borrowing if there's no bathroom and kitchen?"
NatWest	"They could put it as a zero valuation at the time that they come out. So it's not that you can't get it, it's just that if they decide that they need to have a valuation done, so that's if they decide you need to have one done, and they do ask someone to come out, when they come out to value it, if you don't have a functioning kitchen and bathroom then they may actually value it as zero because it's not actually functioning as a property at the moment without a kitchen and bathroom, so they could put

X	it down as zero at that time.”
NatWest	<p>“I need that money in order to put a kitchen and bathroom back, and the lady I spoke to before didn’t say that, and I told her this issue, and she did not tell me that that would affect whether I could get additional borrowing, and she knew that was a concern, I explained that to her.”</p> <p>“That’s the thing, we couldn’t know for sure if you would even need a valuation, it’s up to the underwriter, that’s why it has to go to them to make that decision, but obviously that’s something the adviser could put on the notes for the application, that’s the current situation and that’s why you’re looking for the money, to complete that, so then they might be able to take that into consideration and go ahead with it, but it’s up to the underwriter, they have the final say. So it is just a possibility they could do that. Now, because you’re looking for the money for that reason, that might be slightly different, but it is up to them.”</p>
X	<p>“The lady should have told me this, because I could end up with an uninhabitable house. Because I can’t live in the house without a kitchen and bathroom. So she really should have said that was a possibility so I could have made alternative arrangements.”</p>

As can be seen from the transcripts above, though, the advisers in September didn’t mislead X. On 10 September, she was told that a physical valuation might not be needed. But on 6 and 17 September she was told that it might be, and that removing the kitchen and bathroom would adversely impact her application if it was. Although her recollection as recorded in the October call was different, that recollection was mistaken.

I’m therefore satisfied that NatWest did not at any point mislead X. It was clear with her that a valuation might or might not be needed, and that if it was, removing the kitchen and bathroom would risk her application being refused altogether – as indeed did happen. She was advised not to do that before the application completed. X was told this before they were removed. I’m not persuaded that NatWest gave X the impression that removing the kitchen and bathroom would not risk her application, that there was an alternative way of proceeding if she did so, or that a physical valuation would definitely not be required.

In possession of all those facts, X allowed her builder to go ahead and remove the kitchen and bathroom. I can’t hold NatWest responsible for her decision to do that, or for the consequences which flowed from it.

NatWest did offer X £100 compensation because of a short delay in her being able to submit an online application while the advised application was still live. I think that’s a fair offer, and NatWest should pay that sum to her. But beyond that, I don’t require it to take any further steps. However, there is nothing to stop X making a further application now – if she has been able to make the property habitable again in the meantime.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY

should pay X £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 6 October 2025.

Simon Pugh
Ombudsman