

The complaint

Mr O complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY wouldn't give him additional mortgage borrowing, and wouldn't tell him why not. Mr O said he paid £13,000 more to get this lending elsewhere, which he felt NatWest should cover.

What happened

Mr O took out a mortgage of around £240,000 with NatWest to buy a home. He drew down the funds for this mortgage in March 2023.

In November 2024, Mr O asked NatWest for some additional lending. He wanted to borrow £45,000. Just over £5,500 was for home improvements, and the rest was for the purposes of debt consolidation. Mr O wanted to pay off a number of credit cards which had recently come to the end of their 0% interest offers, and to pay off another loan.

NatWest refused his lending request, because he failed its credit scoring. NatWest has repeatedly said that this ends Mr O's application, it cannot take things any further for him, and can only suggest he reappplies in three to six months' time.

Mr O has been very unhappy that NatWest can't tell him why he was turned down for this extra borrowing. He told us he'd been forced to seek alternative lending, which was more expensive. He wanted NatWest to cover those extra costs, which he said added up to over £13,000 over the term of his new loan.

NatWest didn't think it had done anything wrong. It said it wasn't able to share any information with Mr O about the reasons for his credit score failure. It accepted that there wasn't anything to cause alarm on his credit file, but it said it takes other factors into account.

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

Mr O disagreed. He said he still felt NatWest's refusal to lend to him was unjustified, and he remained unhappy that he hadn't been given a reason for that refusal. He said we hadn't taken account of the financial and emotional harm he had suffered as a result.

Mr O said that another lender had approved the same borrowing, and he felt this proved NatWest's decision was flawed. Mr O said the value of his property had risen, so he thought NatWest would be taking much less of a risk with this lending. Mr O thought NatWest should have considered this lending request as a responsible financial decision, because consolidating his high-interest debt would have improved his financial stability.

Because no agreement was reached, this case 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:

I do think NatWest made some mistakes here, so my provisional conclusion is that this complaint should be upheld in part. But before I set out what I think ought to have happened here, I want to let Mr O know that this doesn't mean I think it would be fair to ask NatWest to pay him everything he wanted. That's because, whilst I do think NatWest made some mistakes here, I don't think it's most likely that if NatWest had done what it should, this lending would have been approved for Mr O.

I know Mr O says that having been accepted by another lender, proves NatWest got this wrong. But I don't agree with that. Different lenders have quite different tolerances for risk. They also have differing costs for borrowers. The fact that Mr O has been able to source what he says is much more expensive lending elsewhere, doesn't allow me to conclude NatWest either would, or should, have lent him the money he wanted in 2024.

I appreciate that Mr O would have been in a better financial position overall if NatWest had extended his mortgage lending, but NatWest doesn't have to lend to Mr O if it doesn't want to. And that's the same if Mr O asks NatWest to increase its existing lending. It doesn't have to lend to Mr O just because he would be better off if it did.

In 2024, Mr O made an application to increase his mortgage by almost 20%, well within the first two years of having drawn down the original lending. Looking at the notes from his 2022 and 2024 mortgage applications, his credit card debt appears to have more than doubled within this relatively short period. I understand that it's an expensive time, setting up a new home, but I still think NatWest is likely to have been concerned by this. I think it's most likely that if Mr O's mortgage application had been properly considered by NatWest, it would have refused this lending.

However, I haven't been able to see that NatWest did properly consider Mr O's application. What NatWest has told our service, to date, is that it has no information on why his application failed its credit scoring process.

I know Mr O thinks NatWest should be transparent in its decision making. But the reasons why NatWest may or may not choose to lend, and the ways it assesses the risks of lending to someone, are part of its commercial decision-making. I wouldn't necessarily expect NatWest to share that publicly, as that information is of interest to its competitors. So I wouldn't just automatically expect NatWest to set out for Mr O in detail why his application failed its credit scoring.

But I would expect NatWest to be able to show our service why Mr O was turned down. That's part of being able to show us that the decision it reached was fair and reasonable. And NatWest hasn't done that. So, whilst I don't think that NatWest would have lent to Mr O, and I still think the ultimate outcome would be the same, I can't be sure that the decision NatWest actually took, it took for the right reasons.

Further, NatWest has repeatedly said that, because Mr O failed its credit scoring, it won't allow his application to progress any further. So that means Mr O's application has stopped dead, because of an automated decision.

Our service isn't the expert on data processing law. That's overseen by the Information Commissioner's Office ("ICO") which provides guidance on the relevant law. However, I note that ICO guidance suggests Mr O would have the right to ask for his application to be reconsidered manually. And if NatWest had done this, then it would have been able

to show our service the reasons for its decision making here. But it hasn't. It just said the only thing Mr O could do, was to reapply in three to six months.

I must stress that I don't think NatWest would have decided to lend here. But it has failed to explain either to Mr O or to our service why it reached that decision. And it has failed to provide a manual reassessment of the automated lending decision it made in Mr O's case.

If NatWest had done these things, I still think it's most likely that Mr O would have been turned down for additional lending. But Mr O would be likely to have had a better explanation of why this happened, and he would definitely have had the reassurance of knowing his application had been considered fully by an underwriter. I think it's likely that Mr O would have found this decision easier to understand and to accept, reducing his distress and perhaps also removing the additional burden of making this complaint.

For those reasons, I think NatWest should pay Mr O £500 in compensation, to reflect the distress and inconvenience that it has caused here.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Only Mr O 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.

Mr O replied to thank us for recognising that NatWest didn't handle things correctly. But he said an award of £500 didn't reflect the significant additional costs he had incurred as a direct result of its actions. Mr O said because his application had been mishandled and declined without transparency, he'd had to take out a second charge for the same borrowing amount. Mr O set out the extra costs he'd incurred, which he said added up to over £13,000.

Mr O said he felt an award of £5,000 would be a fair and proportionate compromise. He said that would cover the direct professional fees he had to pay for a broker and solicitor. and made a meaningful contribution toward the additional loan costs and distress he endured. Mr O asked me to reconsider.

My provisional decision sets out I thought NatWest has made mistakes here, and I still think that. But I hope I have been clear from the outset that even if no mistakes had been made by NatWest, I still think it is most likely that Mr O would have been turned down for this lending.

So NatWest is responsible for the stress and disappointment Mr O went through, because it didn't properly consider his application. If NatWest had handled things correctly, that would have been avoided, and my award seeks to reflect that. But NatWest isn't responsible for Mr O having to source this borrowing elsewhere. If NatWest had handled things correctly, I still think it would not have offered Mr O the extra borrowing he wanted. So those additional costs would not have been avoided, and that means it's not fair and reasonable for me to ask NatWest to pay those costs, either in whole or in part, 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 NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY must pay Mr O £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 17 October 2025.

Esther Absalom-Gough

Ombudsman