

The complaint

Ms W and Mr W complain that Yorkshire Building Society unfairly declined their mortgage application. Mr W says he started to take his pension as YBS suggested that would improve their affordability for a mortgage. Mr W said YBS didn't tell them their pension income wouldn't be included in the affordability assessment.

Ms W and Mr W ask that YBS makes its lending criteria clear and transparent, includes their pension income in its affordability assessment and pays compensation for the tax they've paid on their pension income.

What happened

Ms W and Mr W contacted YBS in late 2023. They wanted a mortgage on an interest only basis. YBS said they didn't meet affordability for the amount they wanted to borrow.

Mr W says he started to draw his pension in 2024 so that his pension income would be included in an affordability assessment when they re-applied for a mortgage.

Ms W and Mr W contacted YBS again in early 2025. YBS said they didn't meet affordability for the amount they wanted to borrow. Mr W says this is because it didn't take their pension income into account, and this should have been made clear at the outset.

Mr W says as a result of taking his pension in 2024 he's paid tax on his pension income and the limit on the amount of further pension contributions he can make has reduced.

YBS said it takes details of all income, but what's included depends on its lending criteria. It said it hadn't suggested Mr W start taking his pension. After the complaint came to us YBS offered £150 compensation for not being clear that pension income was included in Ms W and Mr W's income when it assessed affordability.

Our investigator said YBS's offer of £150 compensation for the confusion about whether pension income was included was fair.

Ms W and Mr W didn't agree. Mr W remains unhappy about the way YBS assessed their income and says £150 isn't sufficient compensation.

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 W and Ms W contacted YBS in late 2023. They wanted to borrow £535,000 on an interest only basis. They received a decision in principle and spoke to a mortgage adviser. YBS said it could lend Mr W and Ms W about £270,000.

Mr W said he accepts that YBS didn't tell him to take his pension. He says there was a discussion about pension income and that influenced him to start taking his pension.

YBS provided recordings of several calls with Mr W in late 2023. Having listened to these, I don't think YBS suggested Mr W should draw his pension. It didn't say Mr W and Ms W would meet affordability for the amount they wanted to borrow if he did.

I seem Mr W decided to start taking his pension as he thought this would increase his income and, therefore, the amount they could afford to borrow. But, based on the available evidence, I don't think YBS is responsible for his decision or any related costs or losses.

Mr W and Ms W contacted YBS again in early 2025. They wanted to borrow about £450,000 on an interest only basis.

I don't think YBS made an error when it issued a decision in principle. This was based on the information Mr W provided. The decision in principle said it was only an indication of the amount Ms W and Mr W could borrow and that could change when YBS received the full mortgage application.

Mr W spoke to a mortgage adviser about the application. As part of the application process, YBS needed to ask Ms W and Mr W for information and evidence about their income and outgoings.

Ms W and Mr W had income from several sources, such as investment income, property rental, pension income and income from the family business. Because of Mr W's shareholding in the family business YBS treated this as self-employed income. However, YBS didn't include it in its affordability assessment as the business had operated for less than two years and Mr W couldn't provide two years accounts.

Mr W asked if YBS could tell him how much it would lend without his self-employed income. At this point YBS's mortgage adviser said it couldn't include his pension income. Mr W said he was annoyed that pension income wasn't included. Mr W and Ms W had several sources of income and the adviser said he'd check with the underwriters what income could be included. After doing so, the adviser called Mr W back and told him YBS could lend a maximum of about £310,000. Mr W didn't want to proceed on that basis.

YBS has now confirmed that it did include pension income when assessing the maximum amount it would lend to Mr W and Ms W. But it didn't tell Mr W this in early 2025. YBS also said in its final response that pension income wasn't included.

Ms W and Mr W must have been disappointed that YBS didn't offer them the amount they wanted to borrow. But I can't fairly find that it should have done so when they didn't meet its affordability assessment for that amount. Rules on mortgage regulation require lenders to carry out strict affordability assessments before offering a mortgage, and to obtain from customers evidence of their income.

Mr W's pension income was included in the affordability assessment. YBS's error (telling Mr W it wasn't included) had no effect on the amount YBS said it could lend. And there was no need for YBS to make clear at the outset that pension income would be excluded, as this wasn't the case. But the incorrect information did cause upset to Mr W and Ms W, who felt their income hadn't been assessed fairly. This might have been avoided if YBS had told Mr W his pension income had been included.

I think a large part of Mr W and Ms W's disappointment was that YBS couldn't offer them a mortgage for the amount they needed. And part of the complaint was that Mr W made decisions about his pension based on a discussion with YBS in late 2023. As I don't think YBS made errors with these matters, I can't fairly require it to pay compensation for the upset they caused to Ms W and Mr W. But YBS did make an error when it told Mr W pension

income wasn't included in the affordability assessment. I think for the additional upset this caused, £150 is fair and reasonable in the circumstances.

My final decision

My decision is that Yorkshire Building Society should pay £150 to Ms W and Mr W.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W and Mr W to accept or reject my decision before 14 November 2025.

Ruth Stevenson
Ombudsman