

complaint

Mr C and Miss G complain that National Westminster Bank Plc was irresponsible in providing them with a mortgage that was unaffordable.

background

Mr C and Miss G sold their existing property and took a new mortgage of approximately £178,000 with NatWest in March 2007. In July 2007 the mortgage was switched to an interest only basis. In January 2009 they borrowed further funds of approximately £19,000 but were not able to borrow a further amount in August 2009. In 2011 they both entered individual voluntary arrangements (IVAs) in relation to their unsecured debt. At that time the realistic sales value of their property was assessed as less than the combined total of the NatWest mortgage and borrowing with a second charge holder.

The adjudicator did not recommend that the complaint should be upheld. He said that:

- Although Mr C and Miss G realised surplus funds from their property sale they chose not to use all of these as either a deposit for the new property or to repay debt.
- The new mortgage with NatWest was just over 4.25 times the combined earnings of Mr C and Miss G and it was provided on a non-advised basis.
- NatWest said that it did refer the application to underwriters and it was approved.
- In March 2007 NatWest had also said it required Mr C and Miss G to reduce existing second charge borrowing by over £12,000 so that monthly payments on this debt would fall to £500.
- Mr C and Miss G appeared to have net monthly income after debt repayments of over £800 and this increased when they switched to an interest only basis.
- He was not persuaded that the mortgage was irresponsible at the time
- He noted that Mr C and Miss G had continued to borrow with other lenders on an unsecured basis and that this had then been subject to the IVAs.

Mr C and Miss G did not agree. They did not accept the calculations by the adjudicator of the surplus funds they realised when they had sold their original property. The sale price was lower and they had to pay costs. Having reduced the second charge debt they said they had just over £7,000. They also said that they had less than £600 of monthly income left after debt repayments and utility and council tax bills and the saving when they switched to an interest only mortgage was £270 per month and not £430 per month. They have provided copies of bank statements and said that it was inevitable that unsecured debt would continue to rise- as it had in the past - and that some consideration to the sustainability of them making the mortgage payments should have been given.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can see that when NatWest first agreed to provide the mortgage finance it did not seem to have taken account of the second charge lending, possibly as this was not listed on the application form. When it became clear that some of all of this lending was to be transferred to the new property it re-assessed affordability and required Mr C and Miss G to reduce part of this debt from the net proceeds of the sale of their property. I accept the figures that Mr C and Miss G have provided about those net proceeds.

I cannot agree that NatWest did not take into account all relevant information, including proof of earnings in making its assessment. I also note that in 2009, when borrowing was increased, Mr C and Miss G had said that their combined earnings had increased by over £10,000 per annum since 2007.

Mr C and Miss G, I accept, then substantially increase their unsecured borrowing. It is not clear to me from the bank statement information they provided from 2007 that this was part of a pattern to pay for essential bills such as utilities. With hindsight it is clear that they were spending beyond their disposable income and that as NatWest, for example, would not consolidate further unsecured debt later in 2009 this became unsustainable for them.

I appreciate the difficult financial position they were in when they entered the IVAs. I am not though persuaded on the evidence that NatWest was irresponsible in providing mortgage finance.

my final decision

In light of the above my decision is that I do not uphold this complaint.

Michael Crewe
ombudsman