

complaint

Mr and Mrs J complain that National Westminster Bank Plc would not allow them to take two further secured loans as mortgages. Instead they had to take them as loans covered by the Consumer Credit Act 1974. Mr and Mrs J say that this gives them less flexibility if they want to change products.

background

Mr and Mrs J took out their first mortgage with NatWest in 2003. In 2004 they extended the term of the mortgage and increased the amount of the loan. When they applied for further funds later in 2004, and again in 2006, NatWest only offered them loans covered by the Consumer Credit Act 1974. Mr and Mrs J say that this was not fair. They should have been allowed to take these further loans on the same basis as the original two, as they used the money for home improvements.

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 have seen Mr and Mrs J's original loan application in 2003. It shows the purpose of the loan as: "consolidate existing loan / overdraft repay". Further on the estimated current value of the mortgaged property is shown as £200,000. Next to that it shows the same value after completion of any improvement works which are to be undertaken. And where setting out Mr and Mrs J's expenses, the form shows monthly payments for two loans. With a note that the loans are to be paid off by "this remortgage". For these reasons I am not satisfied that the application shows any evidence that Mr and Mrs J intended to use the original loan to carry out any improvement works.

Mr and Mrs J have told us that the application was completed over the phone. So that is why there is no evidence showing that the funds were for home improvements. I am not sure to which of the four applications they were referring. But in any case I can see that the first application was signed by them. And I think that it was more likely than not that they had the opportunity to read through it before signing. So they would have had the opportunity to correct any errors in it relating to the proposed use of the money.

I have seen the credit agreement regulated under the Consumer Credit Act 1974 dated 28 September 2004. This states that the purpose of that loan is for "refinance and for no other purpose".

NatWest has not been able to supply any copies of the other two loan applications or agreements.

So from the information I have seen there is nothing to show that NatWest was aware that the loans were to be used for any purpose other than refinancing. For this reason I do not find that NatWest has made any error in not allowing the latest two loans to be treated as mortgages.

my final decision

For the reasons I have set out above I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs J to accept or reject my decision before 19 February 2016.

Ros Barnett
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