

complaint

Mr Y complains that Principality Building Society turned down his mortgage application, even though he had done what it asked and paid off his outstanding debts. He would like Principality Building Society to reimburse him for the financial losses caused as a result of paying off the debts and losing the property that he wanted to buy.

background

Mr Y had made his mortgage application using a broker, Ms E. This was the second application he had made to Principality Building Society after the previous purchase fell through. He wanted to borrow £60,000 to buy a property for £135,000, using an inheritance to pay the balance.

Principality Building Society said that, when it looked at Mr Y's credit history, it found a credit card debt he hadn't mentioned. This reduced its assessment of what he could afford to borrow to £49,000. Principality told Mr Y's broker that, if he wanted the application to proceed, he would need to pay off his outstanding debts and provide proof that he had done so.

Principality also asked the broker to provide his SA302s for the last 3 years, along with bank statements for the last 6 months and various other documents. The SA302s provided didn't include the one for 2017; there were also gaps in the bank statements. Principality also noted that there were a number of large transactions, including other loans, going through his bank account. It asked the broker to provide an explanation for these, which she did.

Having considered all the information that the broker had provided on Mr Y's behalf, including proof that he had cleared the outstanding debts, the underwriters declined the application.

Mr Y was understandably very upset. He called Principality to find out why. He felt he had been encouraged to spend a large part of his inheritance paying off his loan and other debts when, in fact, Principality had already decided it wasn't willing to lend him the money.

Principality accepted that Mr Y had been given confusing information about the reason the application failed. It offered him £200 for his trouble and upset, but it said it was entitled to refuse his mortgage application: he had signed to say he understood and accepted this at the time he completed the application forms.

Our investigator didn't think Principality needed to do anything else to put things right. He said that Principality had made it clear that it could turn down the application without having to give a reason.

Mr Y asked for his complaint to be reviewed by an ombudsman. He says that he was told by the adviser he spoke to that the underwriters had already made up their minds to refuse the application before he paid off his other debts. He says Principality came in to his life, got him to pay off his debts using some of his inheritance and then walked away, leaving him with not enough left to buy the house he wanted. He estimates this has cost him around £20,000, by the time the legal fees he paid for the abortive house purchase are taken into account.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In its final response to his complaint, Principality explained the reasons it had decided it could not give him the mortgage. It said that it hadn't received the SA302 for 2017 to verify Mr Y's income. It was concerned by the recent number of loans he had taken out and the '*numerous large transactions*' on his bank account. It also explained that it had made it clear to Mr Y's broker that, even if he did pay off the debts in full, this would not automatically guarantee a mortgage offer.

I can find no evidence that it was ever suggested to Mr Y's broker that payment of his debts would ensure he would get a mortgage with Principality. The existence of the debts reduced the amount it would be willing to lend, applying its affordability criteria, to over £10,000 less than he needed to buy the property. So it was sensible to explain to the broker that, unless they were cleared, the application could not proceed. That falls a long way short of misleading Mr Y or his broker into believing that payment of the debts would result in a mortgage offer. It was always open to the underwriters to decide against advancing the money.

Strictly speaking Principality did not need to give any reason for its refusal of the application. In fact, it has explained, in the final response, that it had concerns relating to the failure by Mr Y to provide proof of his income for the year 2016–2017 and about the number of loans and payments going through his bank account. Taking all this into account, I don't think Principality acted unfairly when it decided to turn down Mr Y's mortgage application.

I think there was some confusion when Mr Y first contacted the building society to find out why his application hadn't been successful. In particular, I have listened to the call he made to Principality on 2 June 2017. This was a long call, during which he was given conflicting information about the reason the application had been declined. It was suggested that his broker hadn't passed on the information needed for the underwriters to consider the application. This left Mr Y with the impression that they hadn't been shown the proof he had provided that the debts had been paid off: they had therefore made their decision without bothering to look at the paperwork and/or even before he had cleared the debts.

Having looked at the file and information Principality has given us, I'm satisfied that that isn't what happened and that, apart from the SA302 for 2017, the underwriters had access to all the documentation relating to Mr Y's application before making their decision. But I can understand how Mr Y may have got the impression that the decision had been made, even before he had submitted proof that the debts had been paid. I asked Principality to consider increasing its offer for the trouble and upset caused by the call on 2 June and it has agreed to pay Mr Y £300.

I appreciate this falls a long way short of the compensation Mr Y has requested but, for the reasons set out above, I don't think Principality Building Society did anything wrong when it decided not to give him a mortgage. I don't accept that he has suffered any financial loss as a result of any error by Principality. I also take into account that the main cause of his upset and frustration was having his application turned down, which I have found Principality was entitled to do. On that basis I think £300 properly reflects the additional upset caused to Mr Y by the phone call on 2 June.

my final decision

On the basis that Principality Building Society pays Mr Y a total of £300 for his trouble and upset, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 13 March 2018.

Melanie McDonald
ombudsman