

complaint

Mr and Mrs J complain that they were wrongly sold a loan and overdraft by National Westminster Bank Plc.

background

Mr and Mrs J wanted to remortgage with National Westminster. During the application process, they arranged a short term loan and overdraft so that their planned building works could proceed. Their mortgage application was, however, declined. The application was based on the same financial information that the bank had used to assess Mr and Mrs J's short term borrowing, and their financial position had not changed. Mr and Mrs J considered that if the mortgage application had failed, this meant the sort term borrowing had been wrongly sold.

The adjudicator did not recommend the complaint should be upheld. She was not persuaded that National Westminster had agreed to the loan and overdraft, knowing that a mortgage was also required. She concluded that the bank had based its lending decisions on the information available to it.

Mr and Mrs J responded to say, in summary, that as the bank had declined the mortgage, it should have also declined the loan and overdraft because both applications were based on the same financial information. As such, they considered the loan and overdraft amounted to irresponsible lending.

my findings

To decide what is fair and reasonable in this complaint, I have considered everything that Mr and Mrs J and National Westminster have said and provided. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – that is, what I consider is most likely to have happened in light of the available evidence and the wider surrounding circumstances.

Having considered the available evidence, on balance I accept that Mr and Mrs J's short term borrowing was arranged on the basis it would be replaced with the mortgage they wanted. Given the mortgage amount, however, I am satisfied that it had to be assessed by the bank's underwriters. On balance, therefore, I consider it unlikely that National Westminster gave any assurances about the mortgage application before that assessment had taken place. In addition, I am satisfied that National Westminster did not have all of the information it needed to assess the mortgage application at the time the loan and overdraft were arranged.

Mr and Mrs J's mortgage application was turned down on grounds of affordability, but their financial position was exactly the same as when the loan and overdraft were approved. I can therefore see why they might conclude that, as the mortgage was declined on grounds of affordability, the short term borrowing amounted to irresponsible lending.

I am satisfied, however, that the application failed because the bank's assessment of income for mortgage purposes was more stringent than that used for short term borrowing. Whilst I appreciate Mr and Mrs J's frustration with the bank's approach, it is beyond the remit of this service to interfere with the basis on which it chooses to lend.

When I take account of the evidence overall, therefore, on balance I cannot safely conclude that National Westminster gave any assurances about the mortgage when the loan and overdraft were arranged.

I am also satisfied that National Westminster properly assessed the applications for the short term borrowing and the mortgage in line with its lending criteria. As such, I am not persuaded that it was irresponsible for National Westminster to arrange Mr and Mrs J's overdraft and loan.

my final decision

My decision is that I do not uphold this complaint.

Caroline Stirling
ombudsman