

The complaint

Mr and Mrs R are unhappy that National Westminster Bank Plc didn't honour the agreement in principle ("AIP") that was in place, when they applied for a mortgage. They said they have now lost out on their desired interest rate which has meant they had to change lender and are now on a higher rate of interest.

What happened

Mr and Mrs R applied for a buy to let ("BTL") mortgage online with NatWest. They said that an AIP was agreed on a rate of 3.89% fixed for five years. Mr and Mrs R said that they were told Mr R inputted incorrect details about his income – which was showing as £174,000 – but Mr R said he didn't earn this amount so doesn't understand why NatWest told him this.

Mr and Mrs R believe that NatWest have caused them to miss out on a good rate of interest and the delays in the application process have now meant that they have had to go to a new lender on a higher rate of interest.

Mr and Mrs R said when they tried to log a formal complaint, the system wouldn't allow them to do this and when Mr R called to complain, the phone was put down on him. Mr and Mrs R would like NatWest to be transparent about their lending criteria as they feel that NatWest applied new criteria to their application which they feel is unfair.

Mr and Mrs R would like compensation for the distress and inconvenience they have been caused or a fixed rate without any fees.

NatWest issued a final response on the matter. They confirmed that an online application was made by Mr and Mrs R. They said the AIP would only remain available as long as the application meets their lending criteria which is agreed by an underwriter.

They said the mortgage application was declined and when this happens a new application can be submitted again but if the mortgage interest rates change in the meantime, the application will have to be submitted with the rates available.

NatWest said the application was declined because the underwriter could not verify the figures that Mr R declared for his income on the application form, against the income evidence that had been provided. NatWest said the income declared on the application form was £174,000 and was a combined figure of regular salary and a bonus. They said as this seemed to be incorrect, Mr R would need to make amendments and resubmit the application again – but he did not do this.

NatWest confirmed that there were no changes to their lending policy that applied to Mr and Mrs R's application.

NatWest however acknowledged the issues that Mr and Mrs R encountered when they tried to raise a formal complaint, so they offered £200 compensation in recognition of this.

Mr and Mrs R were unhappy with what NatWest had said, so they brought the complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. The investigator didn't uphold the complaint as she didn't think that NatWest had done anything wrong.

Mr and Mrs R didn't agree with the outcome. They said it was unacceptable and unfair and that NatWest's origination process had multiple systemic faults which gave them false hope.

Mr and Mrs R said that £200 is not enough for the financial impact they have been caused. They said they had to take out a loan at 5% which is costing £200 a month more.

As Mr and Mrs R disagreed with the investigator, they asked for the complaint to be reviewed by an ombudsman, so it has been passed to me to decide.

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.

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having considered everything by both parties, I agree with the outcome that the investigator made. I'll explain why.

Mr and Mrs R applied for a BTL mortgage online with NatWest. Mr and Mrs R said they were given an AIP which confirmed the amount they wanted to borrow on the interest rate they had chosen – 3.89% fixed for five years.

An AIP is an agreement in principle. It is not a firm guarantee that a mortgage will be granted as NatWest would have needed to ensure that the application met their lending criteria. So while I understand Mr and Mrs R are disappointed that NatWest declined their application – it was never a formal approval.

I can see that NatWest sent Mr and Mrs R a letter dated 19 October 2022 asking for further evidence which included P60, payslips and the last four consecutive payslips confirming Mr R's bonus which was declared on the application form.

Having looked at the online application that Mr and Mrs R made, I can see that Mr R's income is declared as £174,000 which is formed of a regular salary of £116,000 and a bonus of £58,000. So it's understandable that NatWest would want to verify this income against the evidence they had requested.

NatWest have told us that when they checked Mr R's income evidence, they couldn't verify it as matching what he had declared on the application form. And Mr R has also told us that he doesn't earn £174,000 so he doesn't understand why NatWest have said that. It's therefore not clear why Mr R has declared an income of £174,000 if he has said he doesn't earn that amount. And because of that, it was always going to be the case that the income proofs didn't match what he had said. NatWest said this didn't meet NatWest's lending criteria and affordability assessment – so they declined the application.

They said that Mr and Mrs R could amend the application and re-submit it for review again, but they declined the application at that point. My understanding is that Mr and Mrs R didn't re-submit the application and instead went to another lender.

I appreciate that Mr and Mrs R feel very strongly about losing the interest rate of 3.89% and have now said they are paying more on a higher interest rate. But I can't see that NatWest have acted unfairly here.

Once an application is submitted, the income proofs had to be verified which they were not in this instance. And as it was an online application, the onus would have been on Mr and Mrs R to ensure that the information entered was accurate. The application was declined, and Mr and Mrs R could have re-submitted it for further review with the correct information – but they didn't do this. I therefore can't hold NatWest responsible for the information provided by Mr and Mrs R and for the fact that they lost out on this interest rate.

Mr and Mrs R believe that NatWest changed their lending criteria which is the reason their application was declined. But I haven't seen anything that suggests that NatWest has changed their lending criteria. The issue here is that the income evidence didn't match what had been entered on the application form.

I understand that Mr and Mrs R tried to complain to NatWest about this and they told us they had a lot of difficulty in doing so. I think the £200 that NatWest have offered in recognition of this is fair and reasonable in the circumstances of this complaint.

I know that Mr and Mrs R will be disappointed with my decision, but I'm satisfied that NatWest have acted fairly and reasonably in this situation.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 18 December 2023.

Maria Drury
Ombudsman