

The complaint

Mr S's complaint is that on 26 July 2022 he was led to believe by Nationwide Building Society that he would be able to take out a short-term mortgage to buy another property. It wasn't until 30 July 2022 that Nationwide explained that it didn't offer short-term lending.

To settle the complaint, Mr S wants Nationwide to cover his expenses, which he estimates to be at least £7,600. Mr S also wants us to direct mainstream lenders to offer short-term bridging finance for people in his situation, and for Nationwide to be penalised for not responding to his complaint within eight weeks.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, so there is no need for me to repeat the details here. I will instead concentrate on giving the reasons for my decision. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr S being identified. So for these reasons, I will keep my summary of what happened quite brief.

Mr S owned a property free of mortgage. He wanted to move elsewhere and buy another property but, due to the legal system in the location he was moving to, he needed to have funds already in place. His solicitor advised him that the way to do this was to release equity from his current property to fund the purchase, as a second home. On 26 July 2022 Mr S spoke to Nationwide when he was told (incorrectly) that he'd be able to take out a mortgage for this purpose. Mr S was told to call back on 30 July 2022 when he had all his documentation together and the call centre would begin the application.

But when Mr S called back he was told that this would amount to short-term lending, which Nationwide wasn't able to offer. As a result, Mr S wasn't able to proceed with his application for a mortgage with Nationwide.

Mr S said he then verified this with other lenders, and came to understand that no mainstream lenders had this type of short-term product on the market for this eventuality. Mr S said he found this totally unacceptable *"especially as Nationwide already said they'd consider it"*.

Following this, Mr S looked into specialist short-term lending and found this to be prohibitively expensive. As a result, he moved into rented accommodation in order to fix up and sell his house. Mr S has told us that this cost him at least £7,600 in rent and deposit, and, whilst he said it was cheaper than bridging finance, it was still a major outlay.

Mr S also says that, because of the delays as a result of having to renovate his house, he's been caught up in the financial fallout from the mini-Budget of September 2022, which has caused his house to lose value. Mr S says this *"could be a very significant 5 figure sum"*. Mr S wants Nationwide to compensate him for his expenses and financial losses.

Mr S says that he is being discriminated against for being truthful. He says *“I could easily have not said I was going to sell my property and taken out a 10-year mortgage for a second home.”*

Nationwide acknowledged Mr S had been given incorrect information during the call on 26 July 2022 and paid him compensation of £100. Mr S wasn't happy with this and brought his complaint to our service. An investigator looked at what had happened but didn't think Nationwide needed to do anything more. She was satisfied the £100 already paid by Nationwide was fair and reasonable for the mistake that had been made. The investigator explained that Nationwide had no suitable products for Mr S's circumstances.

Mr S disagreed with the investigator's findings and asked for an ombudsman to review the complaint. He said, in summary, that the system is stacked against the consumer, and that the Financial Ombudsman Service only looks at financial institutes' own policies, not the needs of consumers. Mr S wanted to know who he needed to speak to in order to ensure that the financial services industry offers products that are fit for his needs.

Mr S says that, because nobody asked him what the mortgage term would be, and he could have lied and said that he would pay the mortgage back at any time, in five or ten years' time. But Nationwide just turned him down *“and that's not nice”*.

Because the matter is unresolved, it falls to me to issue a decision.

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'll start with some general observations. We're not the regulator of financial businesses, and we don't “police” their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. We have no power to tell lenders what products they should offer to customers. Given this, whilst I've noted the wider questions Mr S has raised about financial services businesses, those are matters for the FCA, not our service.

Nationwide doesn't offer short-term lending to enable a customer to raise funds on a property they already own to buy another and then sell the first property. That is called bridging finance, and, as Mr S has learned, this type of product is not offered by mainstream mortgage lenders. I don't have any power to tell Nationwide (or any other mainstream lender) to offer bridging loans to customers, when this doesn't form part of its business model.

Nationwide *does* offer “*second property*” mortgages but only for the following types of property purchase:

- holiday homes;
- second homes due to work location (known as a *pied a terre*, i.e. where the borrower lives in the second property during the work week but returns to the main residence at weekends);
- accommodation for wholly dependent relatives;
- a new main residence where the applicant wishes to let their existing property rather than sell it.

None of those situations applies to Mr S's circumstances, as he wanted to take out a mortgage on his existing property buy a second property to be his new main residence and

sell his existing property. So even if the application had been started, Nationwide could not have offered Mr S a mortgage, because the purpose for which he was buying the second property wouldn't have met lending criteria in any event.

Nationwide has acknowledged it made a mistake in telling Mr S on 26 July 2022 that it could offer him short-term lending so he could mortgage his existing home, buy another and then sell his original property. That error was corrected four days later.

Where a mistake has been made, I have to try to put the consumer back in the position they'd have been in if the mistake hadn't been made. In this case, if the mistake hadn't been made, Mr S would have been told on 26 July 2022 that Nationwide wouldn't be able to offer him a mortgage. He didn't find this out until 30 July 2022, when he was disappointed to learn that Nationwide couldn't help him. So for four days that Mr S mistakenly believed he could have a Nationwide mortgage, when in reality he could never have had one for the purpose he wanted. I think the £100 paid by Nationwide for the distress and inconvenience caused by this error over the four-day period before Mr S found out that he couldn't have this type of loan is fair and reasonable.

Mr S has raised some further issues. He said that he has been discriminated against – both by the Financial Ombudsman Service and by Nationwide – because he was honest in saying that he would be selling his existing home. Mr S has suggested that this *might* have been in five or ten years' time, but nobody asked him. However, because he was honest in explaining to Nationwide that he intended to pay back the mortgage when his existing property sold, he is being discriminated against.

Mr S is suggesting that dishonest customers are treated better by financial institutions than honest ones. It's a reasonable expectation for all mortgage lenders that customers applying for mortgages will be honest. I am glad to note that Mr S was honest when he explained his intentions when discussing his mortgage requirements with Nationwide. If customers provide false information to mortgage lenders, the consequences can be serious, ranging from fraud markers placed against the customer's name to the ultimate sanction of criminal prosecution.

The Equality Act 2010 does not protect consumers who are dishonest. It would be against public policy if dishonesty was a protected characteristic under the Equality Act. So whilst I acknowledge Mr S's strength of feeling that he has been hard done by because Nationwide couldn't offer him a mortgage, I am satisfied he has not been discriminated against on the basis of being truthful about his intention to sell the property in the short term.

Overall I'm satisfied that the £100 paid by Nationwide for distress and inconvenience is fair and reasonable and I'm not ordering Nationwide to do anything else. I appreciate Mr S incurred expenses because he said he had to move into rented accommodation while he was selling his house. But as Mr S has confirmed, the cost of this was far less than the cost of bridging finance, so he has taken steps to mitigate his position and minimise the expense as far as possible.

Mr S has also complained that Nationwide didn't respond to his complaint within eight weeks. However, complaints about complaint-handling aren't covered by our rules, so whilst I acknowledge Mr S is unhappy about the way Nationwide dealt with his complaint, it's not something I have any power to consider or comment on.

I know this isn't the outcome Mr S was hoping for. Mr S has already been very clear that he doesn't believe the Financial Ombudsman Service to be fit for purpose or that it will be able to provide him with the resolution he wants. Mr S doesn't have to accept my decision, and if he doesn't it won't be legally-binding and he'll be free to pursue his grievances against

Nationwide in court, should he wish to do so. Mr S might want to take legal advice if he is considering taking the matter any further through the courts.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 September 2023.

Jan O'Leary
Ombudsman