

The complaint

Miss M and Ms M complain that Nationwide Building Society caused delay in dealing with their application for further borrowing on their mortgage. They wanted the further borrowing to increase their share of their shared ownership property, known as “staircasing”.

What happened

Miss M and Ms M have a mortgage with Nationwide, secured over their shared ownership property. In 2022 they decided to increase their ownership share. Unfortunately the application took several months to complete, which led to this complaint.

Miss M and Ms M’s property is in a building affected by cladding issues. An external wall survey – form EWS1 – has rated the property as B2 (meaning the cladding is a risk and requires remediation). But there was a plan in place to resolve the cladding issues without charge to the leaseholders, including Miss M and Ms M. They say they told Nationwide about this from the start and were told that their application would fit within Nationwide’s criteria because of the remediation plan.

Miss M and Ms M say that they were dealing with a specific Nationwide mortgage adviser, but he then went off on long term leave. Miss M and Ms M say they asked for another point of contact but weren’t given one. In the meantime all communication about their application went to the adviser’s email address which Nationwide wasn’t monitoring in his absence.

Miss M and Ms M also say that the valuer appointed by Nationwide to value the property for mortgage purposes repeatedly asked for information – some of which had already been provided – and asked for it in a piecemeal way over time rather than requesting all information at once. And there seemed to be a breakdown of communication between Nationwide and its valuer. They say this caused further delay to their application.

Both parties have set out a timeline of events from their point of view. I’ve set out Miss M and Ms M’s view in normal text, and Nationwide’s in italics where it doesn’t agree or provides a different or further account.

- March 2022 – their first contact with Nationwide, and a three week wait for an appointment with a mortgage adviser.
- April 2022 – appointment with an adviser, and the mortgage application submitted.
- May 2022 – Nationwide’s valuer instructed. The valuer requested a copy of the EWS1 form, which Miss M and Ms M provided. Two weeks later the valuer requested a copy of the EWS1 cover letter. Miss M and Ms M say they provided it, but then Nationwide took a month to pass it on to the valuer. *Nationwide agrees the cover letter should have been requested at the same time as the EWS1.*
- June 2022 – Miss M and Ms M chased progress with their application. They say they were told the mortgage adviser had been on leave and had restarted their application on his return. They were told that the EWS1 form wasn’t acceptable because it didn’t

state each address in their block separately, it stated the whole block

- July 2022 – Miss M and Ms M continued to chase their application. They are told the adviser is now on long term leave and not given another point of contact. *Nationwide says further information was provided to the valuer at the start of the month. The valuer's response was received back at the end of July and referred to underwriters for review. It says the adviser had gone on bereavement leave but other members of his team were dealing with his applications and monitoring his emails.*
- August 2022 – Miss M and Ms M provided confirmation of the address on the EWS1 form. The valuer raised further questions about the construction of the building. *There is a Nationwide internal email from 23 August which says the mortgage adviser is on leave and the staff member who was looking at the application says "the notes have lost me and the members [Miss M and Ms M] seem to be asked for different things". Further internal clarification was sought.*
- September 2022 – the valuer said the property wasn't acceptable due to the B2 rating without confirmation of the remediation works. After spending some weeks and many phone calls trying to find out what further information the valuer needed, they discovered it was the same as they had provided some months earlier. An offer was finally issued at the end of September, but only after much further chasing and problems with the age of information caused by the amount of time the application had taken. *Nationwide's complaint team emailed the mortgage application team to try to find out what the delay was and asking that Miss M and Ms M receive "an urgent courtesy call so as to get the application moving again". This led to their application being escalated within the valuation team.*
- October 2022 – their solicitor noticed that Nationwide had issued mortgage offers using incorrect names. Miss M and Ms M share a compound surname, but Nationwide had assumed that the first part of the surname was Miss M's middle name and therefore put an incorrect and incomplete surname for her on the offer. When they queried this, because the shared owner required the names to match its own records, Nationwide told them that meant the mortgage had to be re-underwritten. Nationwide then told them they would also need a consent letter from the shared owner before it could issue a new offer – even though such a document is only required and provided at exchange of contracts stage. *Nationwide says the name issue likely occurred due to a system error when the original mortgage was set up in 2016. It says that when re-processed the application was declined by its systems because of the delay since the valuation and original decision, but that it manually overrode this to approve and issue a revised offer.*

Nationwide then agreed this was an error and could be rectified, and that Miss M and Ms M could go ahead and arrange a completion date, with a revised offer to follow. Two days before completion they had still not received a revised offer, though Nationwide assured them everything was ready to go ahead. But on the nominated completion date they could not complete – after several lengthy phone calls the offer was finally issued late in the day and completion did manage to go ahead before the end of the day.

Miss M and Ms M say this whole process took huge amounts of time and caused a great deal of stress. Their application to increase the shared ownership was dependent on an independent valuation – separate from Nationwide's mortgage valuation – of their property. That valuation was only valid for three months and because of the time taken they had to get it extended twice, with the risk that the value would increase – impacting their ability to staircase. Although this didn't happen, and they were able to staircase at the same value, it

was a constant worry. Miss M and Ms M also had to pay additional rent to their shared owner because of the delay in increasing their share. And even once the offer was issued, there were further problems which nearly caused their staircasing purchase to fail on completion day. To resolve the complaint, they want substantial compensation and for Nationwide to waive the fees they paid for the mortgage, and for it to compensate them for the additional rent.

Miss M and Ms M made a complaint to Nationwide about their experience of the application process. In August, they say they were told that if they pursued a complaint their mortgage application would be put on hold while their complaint was investigated. After further delay, they tried again and say that this time they were told a complaint could be investigated while their application progressed after all. They say Nationwide made the complaints process difficult and that errors it made meant that it wasn't able to respond to their complaint within the required eight weeks. Even after the eight weeks had expired, Nationwide asked them to resend their original complaint email because it had not been added to its systems and was lost. They want further compensation for the extra delay and upset the failure to respond to their complaint caused.

Nationwide responded to their complaint and accepted that the application hadn't gone smoothly. It later told us that it accepted it was responsible for delays totalling around three months at various stages of the process.

In its first final response, Nationwide offered £200 compensation for the delays, including because the mortgage adviser had gone on leave and hadn't been replaced. Miss M and Ms M weren't happy with that and renewed their complaint.

In its second final response, Nationwide offered a further £550 compensation for the additional stress caused by the errors with Miss M's name, and because the mortgage adviser hadn't asked for the covering letter of the EWS1 form sooner. It also offered £919.48, as the amount their mortgage balance would have reduced by had it completed within normal timescales and they'd therefore made capital repayments for longer. In arriving at this figure, it assumed that their mortgage could have started on 1 June rather than in late October.

Our investigator thought that offer didn't go far enough. He said that Nationwide should also refund Miss M and Ms M the additional rent they had to pay over that period too. Miss M and Ms M had shown that their rent to the shared owner was £887.15 per month before the staircasing and £380.21 after, meaning a difference of £506.94 per month. He therefore said that Nationwide should also pay them £2,534.70 – five extra months' rent they wouldn't have had to pay had their mortgage completed on 1 June.

Miss M and Ms M accepted that. But Nationwide didn't. It said this would mean that Miss M and Ms M would be over-compensated – because it didn't take into account that their mortgage payments would have increased to offset the reduction in their rent. It maintained its offer of the amount their mortgage would have reduced by had they paid five extra months of capital payments was fair.

I agreed with Nationwide that the investigator's proposal would result in Miss M and Ms M being over-compensated. I issued a provisional decision setting out my reasoning, to allow the parties to provide any further evidence or argument they wanted me to consider before I make a final decision.

My provisional decision

I said:

"It's accepted on all sides that this application was not well handled. There was substantial delay, as well as problems such as incomplete and duplicate requests for information.

Miss M and Ms M were provided with poor service and caused considerable worry and upset. None of that is in dispute – what I have to resolve is what amounts to fair compensation.

I'll start by considering Miss M and Ms M's financial loss. I'm afraid I don't agree with our investigator that Nationwide should refund five months' additional rent, and I'm satisfied that the offer Nationwide made is fair. I'll explain why.

Before the mortgage completed, Miss M and Ms M were paying £1,501.79 per month - £616.64 in mortgage payments and £887.15 in rent to the shared owner.

As part of their further borrowing application, they also took a new interest rate on their existing mortgage balance, meaning the payments reduced to £441.85. They also paid £916.90 on the further borrowing and reduced rent of £380.21 – making £1,738.96 per month in total.

This means that while the delay meant that Miss M and Ms M were paying additional rent unnecessarily, it also meant they weren't paying additional mortgage payments. Looked at in terms of their combined monthly outgoings on housing costs, they weren't out of pocket because of the delay. Rather, the delay meant that their outgoings remained £237.17 per month lower for five months longer than would otherwise have been the case.

That means there is no direct financial loss to compensate Miss M and Ms M for – they were not worse off, in the sense of having to pay more each month – as a result of the delay.

However, they are worse off in terms of their overall financial position, because more of the money they were spending went on rent, and less on reducing the overall balance of their mortgage borrowing.

Nationwide's offer of £919.48 fairly puts this right. It's the equivalent of five months' worth of capital (but not interest) payments to their mortgage. In other words, it's the amount their mortgage balance is higher by because it completed five months later than it ought to have done.

I'm satisfied this fairly reflects Miss M and Ms M's financial loss because of the delay. It compensates them for the additional amount they'll have to pay because their mortgage completed five months late – but it only does that if the amount was paid to their mortgage balance to reduce the balance. Because Nationwide paid this amount to Miss M and Ms M direct rather than reducing their mortgage balance, they will continue to pay additional interest on this sum for the remainder of the term.

Nationwide should therefore now give Miss M and Ms M the choice of using this redress payment to reduce their mortgage balance – compensating them for additional interest incurred by the balance being too high as well as for the balance itself.

If Miss M and Ms M choose to retain the compensation sum Nationwide paid them, it need not take any further action. But if they choose to use it to reduce their mortgage balance, Nationwide should apply it to their mortgage balance backdated to

1 November 2022, adjusting their current balance by removing interest charged on that sum since then accordingly.

Finally, I've thought about whether the sum of £750 for distress and inconvenience is fair in all the circumstances. In doing so I've taken account of the guidance on compensation on our website.¹

The guidance says that compensation of up to £750 might be appropriate where the impact of a mistake has caused considerable distress, upset, and worry and / or significant inconvenience and disruption, typically where the impact lasts over many weeks or months or has a serious short-term impact.

And the guidance says that compensation of up to £1,500 might be fair where the impact caused substantial distress, upset and worry, which may include serious disruption to daily life over a sustained period with the impact felt over many months, or where there was a substantial short-term impact.

I've considered everything Miss M and Ms M have said. I've noted the considerable amount of inconvenience and disruption they were caused, having to spend large amounts of time chasing Nationwide, trying to find out how their application was progressing, as well as having to provide information repeatedly and in a piecemeal fashion. I've also noted the significant worry the delay caused them because of their fears that the expiry of their shared ownership valuation might result in them having to find more money to staircase – though fortunately that didn't happen, Miss M and Ms M couldn't have known that and were right to worry that it might. And even when an offer was finally issued, there were further errors – with the problems with Miss M's name almost meaning that completion didn't happen right up to the last possible minute. They also found it difficult to complain about their experience.

Taking everything into account, I think this was a very stressful and worrying time for Miss M and Ms M over several months, and particularly at the end as their purchase looked like it might not complete. I think £1,000 compensation is a fair sum that reflects everything that happened."

The responses to my provisional decision

Nationwide accepted my provisional decision – it said it would backdate the interest reduction to 31 October 2022 not 1 November 2022, as that was the date the additional borrowing was advanced and interest started being charged on it. It said that it would be fair to require Miss M and Ms M to make the payment to their mortgage balance within three months if they wanted to take that option.

Miss M and Ms M said that they should be paid £1,500 compensation following the guidance I'd cited. They said they no longer had the money to pay into their mortgage, but that Nationwide should still remove the interest as if they had done so. And they provided further comments on the timeline I set out, including that despite what Nationwide had said no one was monitoring the adviser's emails or actioning the application in his absence – Nationwide only took action when chased by Miss M and Ms M, which they had to do very frequently.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

¹ <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>

reasonable in the circumstances of this complaint.

I've also re-considered the findings I reached in my provisional decision in light of all the evidence, taking into account the further comments Miss M and Ms M and Nationwide have made.

I agree with Miss M and Ms M that it doesn't seem that Nationwide was pro-actively progressing their application in the adviser's absence – it was only after their first complaint that it finally moved ahead, and even then Nationwide made the further error with the names on the offer.

Overall, I do think £1,000 is fair compensation. The guidance I referred to in my provisional decision is guidance as to the general principles and can't cover every situation. I've found that compensation in the band £750 - £1,500 is appropriate – but this is a band; the guidance says that "up to" £1,500 – not exactly £1,500 – might be fair in the sorts of circumstances set out. I do think Miss M and Ms M were caused substantial upset and inconvenience, and worry, over a sustained period, and that justifies a higher award of compensation than might ordinarily be the case for a delayed mortgage application. I've taken into account the nature and extent of the contact Miss M and Ms M had to have with Nationwide to get matters progressed, as well as the worry that they might lose out on their staircasing application. I remain of the view that £1,000 is fair – in that while this is a case that merits significant compensation I don't think an award at the very top of the band is justified.

Finally, I don't think it would be fair and reasonable to require Nationwide to reduce the interest charged as if Miss M and Ms M had paid the redress into their mortgage if they don't actually do so. I appreciate they might no longer have that sum available. But it was always an option to voluntarily pay it to their mortgage when they first received it, even if Nationwide didn't offer that. If Miss M and Ms M have spent the money on other things, it wouldn't be fair to reduce their mortgage balance as if they'd used it to overpay. That would give them both the benefit of having retained the funds for other purposes and the benefit of having used the funds to reduce their mortgage balance, and amount to over-compensation.

However, it remains open to Miss M and Ms M to reduce their mortgage balance by that amount if they choose to do so, and if they do they will get the benefit of a backdated interest reduction. I agree with Nationwide that it's fair to put a time limit on this offer – that ensures the interest re-calculation is related to the redress payment, rather than some future overpayment Miss M and Ms M might separately choose to make.

My final decision

My final decision is that I uphold this complaint and direct Nationwide Building Society to:

- Offer Miss M and Ms M a further £250 compensation, making £1,000 in all; and
- Give Miss M and Ms M the option of paying the £919.48 compensation for financial loss to their mortgage balance. If they choose to do so, Nationwide should waive any early repayment charge that may apply, and should backdate the payment to 31 October 2022, re-calculating interest applied since that date and the mortgage balance accordingly. But Nationwide will only be required to do so if Miss M and Ms M make the payment to their mortgage within three months of the date they accept this decision, if they do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M and Ms M to accept or reject my decision before 8 January 2024.

Simon Pugh
Ombudsman