

The complaint

This complaint is about a mortgage application Miss D made to National Westminster Bank Plc. NatWest issued a mortgage offer in April 2022, but later withdrew it.

What happened

Miss D applied for the mortgage in November 2021. She wanted to borrow £76,000 to purchase her property under a Right to Acquire scheme.

The Right to Acquire documents indicated the property had been valued at £90,000 in July 2021, and that Miss D was entitled to a £9,000 discount. The remaining £5,000 was coming from Miss D's savings.

NatWest instructed a surveyor to visit the property to undertake a mortgage valuation. The report was received at the end of November 2021. The surveyor said there was evidence of possible cavity wall tie failure and said a report from a specialist was needed.

After some back and forth between Miss D, her housing association (who felt a specialist report wasn't needed) and NatWest, the required specialist report was received by NatWest in mid-April. NatWest referred the report to the surveyor and they confirmed the property was suitable security for the mortgage.

NatWest issued the mortgage offer on 22 April 2022. That said:

*"Value of the property assumed to prepare this information sheet: £108,000.00
Minimum value of the property required to borrow the illustrated amount: £101,333.33"*

On 8 August 2022 Miss D's solicitor said the purchase price needed to be amended to £81,000 to match the Right to Acquire agreed purchase price.

That amendment was made, but when the new mortgage offer was requested that automatically triggered an updated credit score to be carried out. The new credit score showed Miss D had a higher level of debt than had been shown in the first credit score in April 2022. Overall, Miss D no longer passed the credit score which led to the underwriter declining the application.

Miss D appealed the decision, providing up to date information about her income but, upon review, the underwriter decided the decline decision should stand.

Unhappy with what had happened Miss D raised a complaint. NatWest said it made a mistake with the purchase price and offered compensation for that. It said it would pay £400 compensation and refund the £177 valuation fee it had charged. It also said it would reimburse the cost of the specialist report, and consider reimbursing Miss D's solicitor's costs for the failed application. It said, however, that it would not be able to reinstate the application as Miss D had failed the most recent credit scoring.

Miss D referred the complaint to our service and it was looked at by one of our Investigators. He said whilst NatWest had done something wrong, it had taken the correct steps to put it right. He said under the terms of the offer NatWest had the right to withdraw it if Miss D's circumstances changed, and the increase in her indebtedness was a change in circumstance.

Miss D didn't agree and so the case 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 trust Miss D won't take it as a discourtesy that I've condensed her complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

NatWest doesn't have the expertise to value property, so it employs the services of a surveyor. When doing so, it's obliged to instruct a suitably qualified surveyor – a requirement that was fulfilled in this case by appointing a member of the Royal Institution of Chartered Surveyors. NatWest isn't accountable for the conduct of the individual surveyor or any act (or omission) by the surveyor or the firm they work for. I understand Miss D felt that the specialist report wasn't needed, but that was required by the surveyor (not by NatWest). All I can consider against NatWest is if it discharged its duty in instructing a suitable firm of surveyors and having considered everything I'm satisfied it did. It was entitled to rely on the report it received from the independent professional that had been instructed and as part of that the specialist report was required.

NatWest has admitted it made a mistake in the April 2022 mortgage offer. Whilst the purchase price had originally been entered correctly as £81,000, when the valuation report was received the purchase price was amended in error to £108,000 (the value of the property). That meant the mortgage offer was wrong.

When Miss D's solicitor notified NatWest of the error in August 2022 a new, correct mortgage offer needed to be issued.

As part of the process of reissuing a mortgage offer NatWest needed to carry out an updated credit search. That's because it needed to ensure, at the time it issued that offer, that the application met its credit scoring criteria. That's not at all unusual, and normally wouldn't cause a problem.

Unfortunately here Miss D had significantly increased her indebtedness so that a higher level of unsecured debt now showed on her credit file than appeared in April 2022.

The April credit search showed payments to loans as £740 a month, and that Miss D had around £680 in credit card debt. In August that had changed to £833 in loan payments and around £8,180 in credit card debt. When asked about that Miss D confirmed her loan repayments to be £832 and her credit card debt to be around £9,200. She said one of the original loans had come to an end, and she'd refinanced another from £118 a month to £263 a month.

That is a fairly significant change in that four-month period and, whilst we can't say for sure whether that was the only reason the application was declined, it would likely have had an impact. The application wasn't declined on underwriting just for affordability reasons, it was

declined because it no longer passed the credit score (with affordability being just one thing that feeds into that, along with the use of credit).

Lenders are generally allowed to assess their mortgage applications in line with the level of risk they are willing to accept at a given time.

Miss D is understandably unhappy and frustrated at the offer being withdrawn, but that is allowed. The mortgage offer said:

“This Offer is conditional upon us being satisfied that:

- There has been no material change in your circumstances since the date of this Offer, which we were not aware of, which could affect your ability to afford the loan. By this, we mean a change to your circumstances which, had we known about it at the time of making this Offer, might have resulted in us being unable to provide the Offer to you or only being able to provide the Offer to you for a lower amount.”*

Miss D's increase in indebtedness was a material change in her circumstances. She no longer passed NatWest's credit score and if she'd been in the August 2022 position in April 2022 then I'm satisfied NatWest wouldn't have issued the April 2022 mortgage offer. Because of this NatWest had the right to withdraw the offer in line with the above stated offer term. This is normal industry practice and allowed by the regulator.

Miss D says it is unfair because if NatWest hadn't made the mistake in the first place a replacement offer wouldn't have been needed. Whilst I understand Miss D's point, a credit search can be undertaken at any time. It isn't unknown for a lender to carry out a pre-completion credit check, and so the offer would still have been withdrawn at that time had that happened.

Having considered everything I'm satisfied NatWest did nothing wrong when it withdrew the mortgage offer as Miss D had a material change in her circumstances such that she no longer met NatWest's lending criteria as she didn't pass the credit score.

That said I do agree that some compensation is due because of the initial mistake made by NatWest in issuing the April 2022 mortgage offer based on the incorrect purchase price.

In its response to the complaint NatWest offered to:

- Pay £400 compensation for the poor service.
- Refund the £177 valuation fee Miss D paid to NatWest.
- Reimburse the valuation specialist report fee Miss D paid.
- Consider reimbursing Miss D's related solicitors' costs.
- Remove all the credit searches from Miss D's credit file in relation to this mortgage application.

It said that if Miss D wanted it to reimburse the specialist report and her solicitors' costs then she needed to provide details of those to the complaint handler.

That seems a fair offer and is in line with what I would have awarded had that offer not already been made. I think offering Miss D a mortgage only to later withdraw the offer caused Miss D confusion, upset and inconvenience. I think £400 is fair for that.

NatWest has offered to refund the valuation fee and pay compensation equivalent to the specialist report cost, as well as saying it would consider reimbursing her solicitors' costs for the failed purchase. Again, I think that is a fair way to resolve this complaint. If Miss D would

like to take NatWest up on its offer in respect of the specialist report and her solicitors' costs then she should contact NatWest directly about that (if she hasn't already done so).

My final decision

National Westminster Bank Plc has already made an offer to pay £577 (£400 plus £177) as well as saying it will consider other costs (if the evidence is provided) to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that National Westminster Bank Plc should pay £577 plus consider the additional specialist report and solicitors' costs if Miss D provides the evidence of those.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 20 November 2023.

Julia Meadows
Ombudsman