

The complaint

Mr and Mrs B's complaint is about mortgage advice they received from Nationwide Building Society in 2022. They have said they were not told that further borrowing would not be agreed within six months of the initial mortgage advance, and so they had to re-mortgage to a different lender to raise the funds they needed to complete the renovations of their new house. This meant they paid an ERC to exit the Nationwide mortgage and will have to pay a higher interest rate over the coming years on the amount of the original mortgage, which they want to be compensated for.

What happened

In the spring of 2022 Mr and Mrs B decided they wanted to move home. They believed the property they were planning to buy needed significant renovations. The property they were proposing to buy was going to cost them less than the amount they were selling their existing home for. As such, between equity from their existing home and other funds they had, they would have a significant amount of money to start the renovations. However, they initially anticipated they might need more. As such, they proposed porting their existing borrowing of slightly over £40,000 and increasing the borrowing to £150,000.

Subsequently, they told the mortgage adviser that the survey they'd had completed had identified less work being needed than they had anticipated. So there were further discussions about what they would borrow and when. They decided to simply take the same amount of borrowing as they already had over to the new property. In relation to money for the renovations, Mr B said:

'We've got quite a lot of money to plough into this house without mortgaging up. Once we start the work we may find other things or we may find the costs are such that we may want to go for the hundred, well hundred and ten, but it's likely to be not for at least, well we've got to burn through all the money we've got first. So it's not going to be for a year at least.'

Mrs B then asked if borrowing more later would be possible. The mortgage adviser explained the process of taking a further advance and confirmed *'you'll be absolutely fine from a timespan perspective to do that.'*

The new mortgage completed in July 2022 over a term of ten years. The following month Mr and Mrs B tried to apply online for additional borrowing and were unable to do so. When they spoke to Nationwide it told them that it would not allow additional borrowing within six months of the date of the first advance. They complained.

In the meantime, Mr and Mrs B approached another lender for a re-mortgage that would provide them with the additional funds they wanted. A mortgage offer was issued by that lender. They informed Nationwide this was the case while their complaint was being considered and that they had already paid the fee to reserve an interest rate product. Nationwide told them that the outcome of the complaint was unlikely to mean that it would offer them any further funds. As such, Nationwide said *'it is only fair of me to point out that accepting the [lender name]'s offer is the safest option, especially given it is very time sensitive.'*

Nationwide initially upheld Mr and Mrs B's complaint and paid them £250 compensation, as it had recorded the circumstances of the complaint incorrectly. However, when the complaint was reviewed in light of the correct facts, Nationwide rejected it in a letter of 21 October 2022. It said that Mr and Mrs B could keep the £250 it had already paid them. Nationwide confirmed that the advice had been given on the basis of Mr and Mrs B having told it they were highly unlikely to need the additional borrowing within 12 months of the advance. As such, the adviser had not needed to mention the six-month timescale for further borrowing and no error was made. In relation to its complaint handler telling Mr and Mrs B to take the mortgage with another lender, Nationwide highlighted that they had confirmed in earlier conversations that they'd already got a mortgage offer arranged with the other lender and had paid the fee for an interest rate product with it. It said it would never have been able to offer the borrowing they wanted when they wanted it, so the costs of moving the mortgage to the other lender would always have been incurred.

The Nationwide mortgage was repaid in November 2022, just under four months after it was advanced.

Mr and Mrs B were not satisfied with the complaint response and referred their complaint to the Financial Ombudsman Service. They highlighted to us that they had throughout told Nationwide they would need an additional £100,000 to complete the renovations and would need to borrow this as part of their mortgage borrowing. They said that had they been told about the borrowing restriction, they would have applied for a larger mortgage in the first place.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld. He was satisfied that Mr and Mrs B had told Nationwide they would not need further borrowing for at least a year and so the six-month time limit didn't need to be disclosed to them, as it would not affect the plans they had told Nationwide about. While Mr and Mrs B's plans changed and they wanted the funds significantly earlier than expected, he didn't think Nationwide could be held responsible for that or the costs that were subsequently incurred.

Mr and Mrs B asked that the complaint be referred to an Ombudsman for review. They said that little consideration of the fact that they had taken out their new mortgage with the express intention of increasing their borrowing had been made. As such, it seemed odd to them that the adviser would not mention the restrictions on further borrowing. In addition, they didn't think that it was acceptable that Nationwide had changed its decision on the outcome of their complaint. They also reiterated that they were advised by Nationwide's first complaint handler to re-mortgage with another lender, but the consequences of doing so in the form of the early repayment charge was not highlighted. Mr and Mrs B also raised the issue that the complaint handler was acting outside his professional capacity as he was not a mortgage adviser and so should not have given them advice.

The Investigator responded to the points Mr and Mrs B raised, but he didn't change his conclusions about the outcome of the complaint. As such, it was decided the complaint would be referred to an Ombudsman for review.

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.

Where one of a lender's criteria might affect the suitability of any mortgage being recommended, we would expect the issue to be explored by the mortgage adviser before a recommendation is made. If it would raise a significant potential for the mortgage that would otherwise be recommended to be unsuitable, I would expect that to be explained and further

discussions to occur. However, we would not expect lending criteria that didn't affect the recommendation being made to be explained.

A mortgage lender will base its recommendations on the information it has available to it. It is entitled to rely on the information it is given by its customers. In this case, Mr and Mrs B's plans evolved during the mortgage advice process. At the beginning they were fairly certain they would need £150,000 of borrowing in total. However, by the time they applied for the mortgage they were not certain they would need to borrow more money as the survey had identified less work being needed than they had anticipated. Based on that, they reduced the amount they decided to borrow – just the amount they already had secured against their existing home. They were also quite definitive that if they did need to borrow any further sums to complete the renovations, it wouldn't be for at least a year.

Given the wording used by the mortgage adviser when Mrs B asked whether further borrowing would be possible if they needed it, I am satisfied he was conscious of the six-month timespan for further borrowing. However, given what Mr and Mrs B had told him – that they were not sure they would need any additional borrowing, and if they did it wouldn't be for at least a year - that part of Nationwide's lending criteria didn't affect the mortgage that had been proposed. There was no reason for the mortgage adviser to raise the issue.

Following the purchase completing, it appears that Mr and Mrs B's plans for either the scope of the renovations or the funding of them changed. Unfortunately, the mortgage they had been sold didn't fit with their new plans. It doesn't appear that Nationwide was made aware of the changed plans before the mortgage was advanced. Had that happened I am satisfied that Nationwide should have explained that further borrowing would not be possible within the first six months of the mortgage term. However, it wasn't informed and as the six-month further borrowing limit didn't affect the plans Mr and Mrs B had told Nationwide about, there was no reason for it to inform them about that lending restriction. I am not persuaded Nationwide did anything wrong in this regard.

I now turn to the matter of the complaint handler at Nationwide telling Mr and Mrs B in October 2022 to go ahead with the re-mortgage they already had in place. They have said this constitutes mortgage advice, which the individual was not qualified to give. As Mr and Mrs B would have been aware of at that time, having recently been through at least one mortgage advice process, it is a time consuming and involved process. I am not aware of whether Mr and Mrs B received advice about the suitability of their current mortgage before applying for it, or if they made their own decisions about what was suitable for them, but I am not persuaded what the complaint handler said to them would be considered to be mortgage advice. I also note it is clear by the time the email in question was sent, the mortgage application had been made, accepted by the current lender and an offer was in place – it simply needed to be acted upon by Mr and Mrs B if they wanted to take the advance.

It also appears that Mr and Mrs B made the complaint handler aware of some form of time constraint associated with their plans and the need for the additional funds. The individual was aware at that time the outcome of the complaint would not be further funds being made available to Mr and Mrs B. It was reasonable they were told that fact to enable them to decide what to do. It is possible the complaint handler's wording could have been better, but I am not persuaded that Mr and Mrs B went ahead with the re-mortgage because he told them to go ahead with it. Nor do I think no mention of the ERC payable made any difference, given the involved conversations Mr and Mrs B, only a few months earlier, had about ERCs. I think it likely that as they needed the funds from the re-mortgage they had already arranged, they would have gone ahead with it once they were aware they would not receive any further funds from Nationwide, irrespective of whether the complaint handler had suggested they do so or not. I don't consider this aspect of the complaint should be upheld.

My final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 February 2024.

Derry Baxter

Ombudsman