

The complaint

Mr N complains that The Mortgage Works (UK) Plc ("TMW") declined his Buy To Let ("BTL") mortgage application, due to what he says are unsubstantiated concerns that he will use the money for property development. Mr N wants TMW to lend him the money, at the old rates.

What happened

Mr N said TMW had declined his mortgage application based on false facts. He said he'd been affected financially, and had found this all very stressful. He wanted TMW to give him the BTL mortgage he had applied for, at the interest rate he could have achieved in July 2022, when the application was made.

TMW said it had declined Mr N's application because it was concerned about what he would use the money for. It said his application included a considerable amount of capital raising, on top of the money he would need to purchase the property he was planning to buy. TMW said Mr N also owned a separate property, which was standing empty, and had been for a very long time. TMW thought that was likely to be because he'd always intended to develop the plot. He'd obtained planning permission to knock that property down, and replace it with two houses on the same plot. TMW said it was concerned that Mr N would use some of the money he was asking to borrow, to fund that development work.

TMW said it could see that Mr N had done some development work in the past. And it had turned down a similar remortgage application from him twelve months ago, because of the same concerns. TMW said it doesn't lend to property developers, it considers that lending to be higher risk than lending to prospective landlords for BTL properties. TMW didn't think it had made a mistake in this instance, and it wouldn't change its mind.

Our investigator didn't think this complaint should be upheld. She noted that TMW had turned down lending to Mr N before, for the same reasons. And TMW was still concerned that he would use the money to fund his property development now.

Our investigator said lenders are entitled to decide which applications they want to approve, and to make their own decisions about levels of risk they don't want to accept. Here, TMW had shown us it doesn't lend to developers, because of concerns about the level of risk this lending poses. And its underwriters had declined to lend to Mr N, for these reasons.

Our investigator said we weren't able to tell TMW that it should have a greater appetite for risk, in this case. She didn't think TMW had acted unfairly, so she said she wouldn't ask it to do any more.

Mr N replied to disagree. He said he had a long history of buying properties to rent out, which is his focus and source of income. He said he had no history at all of property development, and there was nothing for TMW to base its concerns on. He showed us that the house he'd wanted to buy with a mortgage from TMW had since been purchased, and was now rented out.

Our investigator didn't change her mind. She said she couldn't agree that TMW had acted unfairly or unreasonably. Mr N wanted his complaint to be considered by an ombudsman, so it was passed to me for a final 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've reached the same overall conclusion as our investigator.

Mr N applied to TMW for a BTL mortgage for the purchase of a new property. I don't think there's any doubt Mr N intended to purchase the specified property, and to let it out, and I note he has now done so. But Mr N's application for that BTL mortgage also included a very sizeable amount of additional funding. TMW said lending like this, to someone who also owned a vacant property with current planning permission for demolition and redevelopment, ran the risk that some of the money would be used to fund the development of Mr N's other property.

As our investigator said, broadly speaking, TMW is entitled to decide for itself that lending falls outside of its appetite for risk. And it's been clear that lending for development falls outside of its risk appetite.

Whilst Mr N does have an established business as a BTL landlord, he has also owned a vacant property for a long time. More recently, he's obtained planning permission for the site. He initially told TMW he intended to sell the property with planning permission, but I understand it isn't being marketed, and Mr N now says that he's going to renovate it for a family member. In these circumstances, I don't think it was unreasonable or unfair for TMW to say that it had concerns that Mr N might use some of the money he wanted to borrow for development, and that, because of this, lending to him fell outside of its appetite for risk.

I know Mr N will be disappointed, but I don't think it would be fair and reasonable for me to ask TMW to overturn this decision. And that means his complaint won't be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 15 August 2023.

Esther Absalom-Gough

Ombudsman