

The complaint

Mr and Mrs S have complained that National Westminster Bank Plc (NatWest) unfairly declined their mortgage application at the Decision in Principle (DIP) stage. As a result, they were unable to port (transfer) their mortgage interest rate product onto a mortgage on a new property, and paid an early repayment charge (ERC) of £5,500, which they want NatWest to reimburse. Mr and Mrs S were also unhappy at the way NatWest dealt with their complaint.

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 and Mrs S being identified. So for these reasons, I will keep my summary of what happened quite short.

In July 2022 Mr and Mrs S had a mortgage with NatWest, on which they owed approximately £188,500. The mortgage was on a fixed interest rate until 31 October 2024. If the mortgage was redeemed before that date, an ERC would be charged. However, the mortgage interest rate product could be ported onto a new property, subject to a new application meeting NatWest's lending criteria, including credit checks.

Mr and Mrs S decided to move house and take out additional borrowing, increasing their mortgage to £220,000. Through their mortgage broker, an application was made to NatWest for a DIP. However, on 22 July 2022 this was declined.

Mr and Mrs S couldn't understand why this had happened, as their credit reports showed no adverse entries. It appeared that this might be related to Mr S's ex-wife still being linked to him at a previous address. Mr and Mrs S took steps to correct this, but NatWest wasn't able to go ahead on the application.

Mr and Mrs S were already committed to selling their property, and so on redemption of the mortgage on 13 October 2022 they had to pay an ERC of £5,500. Because they weren't able to port the interest rate product onto a new mortgage, NatWest has declined to reimburse this.

Mr and Mrs S complained, initially through their broker. NatWest didn't initially register the complaint until it was chased up. In its final response letter, NatWest didn't uphold the complaint about the decline of the DIP, but offered £200 for poor complaint handling.

Mr and Mrs S didn't accept this and brought their complaint to our service. An investigator looked at what had happened, but didn't think the complaint about the DIP should be upheld. He also explained that, although complaint-handling isn't a regulated activity (and therefore not covered under our rules), he thought the £200 offered for poor complaint-handling was fair and reasonable.

Mr and Mrs S asked for an ombudsman to review the complaint. They've reiterated their concerns about the decline of the DIP. They've also pointed out that they have now bought another property with a mortgage from NatWest, which they say reinforces their belief that NatWest hadn't treated them fairly.

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 looked at the available documentation, including credit reports. NatWest's records of the DIP don't show why the DIP was declined, because once it expired it dropped off the bank's system. The staff member at NatWest with whom Mr and Mrs S's broker was liaising thought that the reason was because Mr S's ex-wife was still showing as an associate on one of the credit reference agencies' records - Equifax.

It's possible that this was the case, because I've also looked at Mr S's Equifax credit report. I note that the NatWest credit search is shown on 22 July 2022. But the credit report also shows that, at an address linked to Mr S, between 14-17 June 2022 there were four searches carried out by lenders that offer short-term credit (also known as payday loans), and two more searches from similar lenders on 6 July 2022.

Mr S asked Equifax to remove the link to his old addresses from his credit file. However, Equifax explained that *"You can ask to take a linked address off your record if there's no relevant information for you at the address. If there are credit agreements in your name at the address we'll need to ask the company to move these accounts before we delete the address link ..."*.

After looking into Mr S's request to remove the linked addresses, Equifax noted that there were settled accounts on the credit report at that address, and the information relating to those accounts would remain on the credit file for six years from the date of settlement. Equifax also said that one business had declined to remove the link. Mr S said that he didn't think the account in question belonged to him, but Equifax said that he'd need to contact the business to resolve that issue.

I am not looking at the actions of Equifax here, or of any other lenders. But I think that it is more likely than not that these entries – and particularly the searches made by payday lenders at an address linked to Mr S – will have affected the outcome of NatWest's credit search, leading to a decline.

I can appreciate how disappointing this must have been for Mr and Mrs S. If this had been a like-for-like port of the same amount as their existing mortgage, it is likely NatWest would have allowed it to go ahead, as the regulations allow the bank to allow a port without considering affordability if there is no extra borrowing.

However, given that Mr and Mrs S wanted to borrow more money, I'm satisfied NatWest was allowed to take into account the information shown on the credit searches. NatWest was also entitled to treat this information as accurate. Given this, I'm not persuaded NatWest acted unreasonably in declining the DIP. As I said above, the precise reason why the DIP was declined has now dropped off NatWest's system, but the available evidence leads me to conclude that it was in all likelihood declined for the reasons given above.

Mr and Mrs S had already committed to sell their home before the DIP was declined, and so it was unavoidable that they had to pay the ERC when they redeemed the mortgage. But in all the circumstances, I'm not persuaded that NatWest acted unreasonably or unfairly; the mortgage contract set out the circumstances in which the ERC would be payable. Because it wasn't possible for Mr and Mrs S to port the mortgage interest rate product, NatWest was entitled to charge the ERC.

Mr and Mrs S were also unhappy about the way their complaint was handled. The way a business deals with a complaint isn't a regulated activity, nor is it ancillary to a regulated activity. This means it's not covered under our rules, and so I have no jurisdiction to consider this matter. I note NatWest offered £200 compensation for its complaint-handling, but as I have no legal power to consider it, I simply leave it to Mr and Mrs S to decide if they want to accept this in full and final settlement of their complaint.

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 Mrs S and Mr S to accept or reject my decision before 15 August 2023.

Jan O'Leary
Ombudsman