

## **The complaint**

Mr and Mrs F complain about their application to Nationwide Building Society for a mortgage.

## **What happened**

Mr and Mrs F applied through a broker for a re-mortgage to Nationwide on their residential property. Both Mr and Mrs F were in employment (Mrs F was on maternity leave) at the time of their application, and they also owned several rental properties. They wanted to borrow around £330,000.

Their broker made the application, and a valuation was carried out. The valuer said the property was worth £420,000 – more than the £400,000 Mr and Mrs F had estimated. This changed the loan to value band, and so the particular interest rate Mr and Mrs F had applied for wasn't available to them. In between the application and the valuation Nationwide's interest rates had increased. So although Mr and Mrs F had a better loan to value than expected, the rates in the lower loan to value band were still slightly worse than the rate in the higher band had been at the time of their application.

Nationwide agreed to override this, ensuring Mr and Mrs F wouldn't end up with a worse rate than they'd applied for. The application proceeded. Nationwide asked for further information about Mr and Mrs F's income, and about their rental properties. There were some delays here, because Nationwide asked for some documents more than once – it hadn't connected earlier submissions with their application.

After consideration, Nationwide said the maximum it could lend was around £115,000 – much less than Mr and Mrs F wanted. Mr and Mrs F complained, both about the delays and about the decision Nationwide had made. In the meantime they'd applied for and been accepted by another lender, but they said they'd lost out because of the problems with Nationwide – in having to spend longer on the standard variable rate on their previous mortgage, and because the rate they'd secured on their new mortgage was higher than it would have been had they applied sooner without wasting time on a Nationwide application first.

Nationwide said it had made a fair lending decision. It agreed there had been some delay in considering it because of the problem with requesting documents, and offered compensation of £175. Our investigator thought that was a fair offer, but Mr and Mrs F didn't agree and asked for an ombudsman to review their complaint.

## **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.

The first thing to say is that no mortgage lender, faced with an application from a new potential customer, is obliged to lend – either the requested amount, or at all. And just because one lender offers a mortgage, that doesn't mean another lender acted unfairly, or

got it wrong, when it didn't. Within the broad framework set by the regulator's mortgage rules, there's a wide discretion for lenders to decide when they do and don't want to lend, and different lenders with different risk appetites can legitimately make different decisions.

That said, I'd expect Nationwide to have considered Mr and Mrs F's application fairly, in line with the relevant rules and Nationwide's own lending criteria. And while I know Mr and Mrs F don't agree, I'm satisfied that it did.

Mr and Mrs F's finances were more complicated than those of many other applicants. As well as both being in employment, they also owned two buy to let properties in their own names as individuals, and a third through a limited company they jointly owned.

As part of the application, they declared their income from employment and from the rental properties. As one of the properties was owned through a limited company and not direct, Nationwide wanted to see an accountant's certificate for that company, as well as tax information showing the income declared. Those were reasonable requests.

Nationwide also reviewed Mr and Mrs F's bank statements. It asked for three months' statements, and initially was only given two months, with the third added later.

Having looked at the bank statements, Nationwide noted that there was no rental income for one of the properties for one month, and the average income from another was lower than had been declared on the application.

As a result Nationwide reduced the amount of the mortgage it was willing to offer. It said that because the rent wasn't consistently being received, it couldn't take it into account. That meant that in its calculations Mr and Mrs F had a large buy to let mortgage which wasn't being offset by rental income – and that reduced the amount Nationwide was willing to lend. This was a reasonable decision based on the information available to Nationwide at the time.

Mr and Mrs F have explained that in fact the rent was always paid in full – the discrepancy was because they'd agreed a change of due date with their tenants. Nationwide has an appeal process, allowing brokers to submit further information for its underwriters to reconsider a mortgage application. And it may be the case that if Mr and Mrs F and their broker had proceeded with an appeal, and provided the explanation about the rent with further evidence showing that, Nationwide would have reconsidered and increased the amount it was willing to lend.

However, Mr and Mrs F applied to another lender instead. That application was accepted, and they went ahead with re-mortgaging to that other lender. They didn't pursue an appeal with Nationwide, though they did complain.

As I say, it may be that Nationwide would have increased the amount it was willing to lend Mr and Mrs F on appeal – but it may not have done. Because it never had the chance to review their application, I don't know what the outcome would have been. As I've explained, just because the other lender was willing to lend what Mr and Mrs F wanted, that doesn't mean Nationwide would or ought to have done.

I'm satisfied Nationwide made a reasonable lending decision, in line with its lending criteria, based on the information it had at the time. Mr and Mrs F chose not to proceed with an appeal. I can't therefore find that Nationwide ought to have lent the full amount they wanted, or that it's likely it would have done so. And so I can't require it to compensate them for not getting the Nationwide mortgage they wanted, or because the mortgage they did get was at a less favourable interest rate than the one they applied for with Nationwide.

However, I do agree that there were failings in the process – in particular around the provision of supporting evidence for Mr and Mrs F's application. Their broker had to provide some things more than once, and there was some avoidable delay. Applying for a mortgage is always a stressful process even when things don't go wrong, and Mr and Mrs F were clearly frustrated with the problems in this application. I think Nationwide has made a fair offer of compensation for that.

### **My final decision**

My final decision is that Nationwide Building Society has made a fair and reasonable offer of compensation. It should pay Mr and Mrs F £175, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 7 November 2023.

Simon Pugh  
**Ombudsman**