

The complaint

Miss M complains about the way that Nationwide Building Society handled her application to take additional borrowing on her mortgage.

What happened

Miss M has a mortgage with Nationwide.

In May 2022, she contacted Nationwide to arrange additional borrowing with a fixed interest rate of 3.19% for . But that did not complete until November 2022. She said there had been significant delays by Nationwide in processing the application.

The interest rate on Miss M's main mortgage was due to expire in January 2023. She said that she missed out on the interest rate she wanted because of the way Nationwide dealt with her. She also considered that the interest rates offered by Nationwide were high, considering she was paying 1.59% on the mortgage and she had been a good customer.

The investigator thought that Nationwide's offer of £125 was fair and reflected that it was responsible for some, but not all of the delays.

Miss M did not accept what the investigator said. She said she'd been left in hardship in having to pay 4.99% on the main mortgage and 3.19% on the additional borrowing.

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.

Additional borrowing

Miss M started the process of applying for additional borrowing in May 2022. There was a complication with the lease. I accept that Nationwide would have been aware of that when it granted the original borrowing. But it was reasonable for it to consider how it affected the new borrowing. I can't see there were any unreasonable delays while it considered those matters. It issued an offer on 22 September 2022 and I don't consider there were any delays up to that point.

Nationwide has accepted that it did not update the solicitors as it should have – and that delayed a new offer being issued until 29 November 2022. Nationwide has offered Miss M £125 to recognise the errors it made and to apologise. Looking at the length of delays and the impact on Miss M, I consider this is fair in the circumstances.

Interest rate for main mortgage

When Nationwide gave Miss M mortgage advice in respect of the additional borrowing it considered whether Miss M should switch the interest rate on her main mortgage. Its policy at the time was that the window to switch rates was five months – so Miss M would incur an

early repayment charge if she switched rates in May 2022. The advice not to switch was correct at that time.

When Miss M spoke to Nationwide in September 2022, it was correct for it to say that Miss M could not amend the existing additional borrowing application to include a switch to the new rate. That would require reconsidering the additional borrowing application – and that was not in Miss M's best interests. Nationwide has provided evidence that when it spoke to Miss M in September it brought to her attention that she was able to switch, but Miss M chose to process the switch herself.

I can't see any persuasive evidence that Nationwide promised Miss M that she would be able to get the same rate on her main mortgage as she did on the additional borrowing. Interest rates are always subject to change with no notice. So Nationwide would not have been able to confirm that it could apply the additional borrowing rate to the main mortgage until Miss M had successfully applied for a switch.

When Miss M looked online the 3.19% rate was not available for the main mortgage. But that was because that rate was no longer available by the time she looked – not because of any error by Nationwide.

There was some volatility in the mortgage market around the time in question. And many lenders experienced increased demand. I can't see there has been any error in the way Nationwide dealt with Miss M. It was for her to secure a new rate either online or by phone from the rates that were available.

I appreciate it has come as a shock to Miss M that interest rates have gone up compared to what she was used to paying. That does not reflect her creditworthiness or how she has handled the account. Rather it is because interest rates have gone up for everyone. I was sorry to hear it has caused her financial difficulty. If she can't pay her mortgage then she should contact nationwide who should explore what it can do to help.

My final decision

Nationwide Building Society has offered Miss M £125. In all the circumstances I consider this is a fair offer.

My final decision is that Nationwide Building Society should pay Miss M £125.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 28 March 2024.

Ken Rose
Ombudsman