

The complaint

Mr and Mrs F's complaint is about their re-mortgage with Nationwide Building Society.

Mr and Mrs F say that they were carrying out extensive building work on their property, but it wasn't until the day of completion in May 2023 that they were made aware that the transaction couldn't proceed without the building certificate being signed off.

Mr and Mrs F say that Nationwide and its surveyors (a company I will call CW) were dismissive and that CW did not flag this as a concern at the time its surveyor inspected the property. The mortgage eventually completed in July 2023, but as a result in the delays in completing, Mr and Mrs F say they've paid approximately £500 in additional interest.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs F being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

In April 2023 Mr and Mrs F applied for a mortgage with Nationwide through their broker. The application form asks whether the property is under construction or if there is major development due to be carried out, to which the broker answered 'No'.

The mortgage was being taken out to repay Mr and Mrs F's existing mortgage with another lender, which had reached the end of its interest rate product and was due to move onto that lender's standard variable rate (SVR). However, Mr and Mrs F were undertaking building work to the property, which was incomplete.

A basic valuation for mortgage purposes was carried out by CW for Nationwide's benefit, and a mortgage offer was issued on 17 May 2023, with a revised offer on 27 June 2023 (to correct one of the borrowers' names). On 27 June 2023 the solicitors acting for Nationwide stated that they had been provided with partial building regulations documentation, but that the work on the property might take a few weeks before the final certificate was available.

Nationwide referred this to CW, and CW confirmed that full building control sign-off would be required before completion. The certificate was sent to Nationwide on 19 July 2023, and CW confirmed on 23 July 2023 that they were satisfied. Nationwide released the funds and completion took place on 24 July 2023. In the meantime, Mr and Mrs F's previous mortgage had reverted to the lender's SVR, resulting in Mr and Mrs F having to make a higher repayment.

Mr and Mrs F complained to Nationwide, saying they'd not been made aware that a final building control certificate would be needed. The complaint wasn't upheld, Nationwide saying it was entitled to rely on the opinion of its surveyor.

Dissatisfied with Nationwide's response, Mr and Mrs F raised their complaint about Nationwide and CW with our service. An Investigator looked at what had happened, but didn't think Nationwide was at fault.

Mr and Mrs F disagreed and asked for an Ombudsman to review the complaint. They said that they were clear with both the broker and the surveyor "*many months in advance of our renewal date*" that the renovation was in progress and that it was unclear when this would be finalised. They said they'd been told by their broker that as long as there was a functioning kitchen, this wouldn't be an issue.

However, they'd never been told that a final building control certificate was required. If they'd known this, they'd have taken out a new interest rate product with their existing lender, in order to avoid excessive interest charges.

Mr and Mrs F also said that they'd been told by Nationwide that there could be a way forward in such cases, such as reducing the amount borrowed, or placing funds in escrow, but no alternative was offered to them.

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.

Having done so, I'm afraid I have disappointing news for Mr and Mrs F; I'm not upholding their complaint. These are my reasons.

First of all, the valuation was carried out solely for Nationwide's purposes. I'm satisfied Nationwide is entitled to rely on the expert advice of CW. Nationwide is a lender, not a surveyor and so any issues relating to the structure of the property have to be referred to CW.

The solicitors were under instruction to refer back to Nationwide if full building regulations consent wasn't available, so that Nationwide could refer this back to its surveyor. This is standard practice and so there was nothing untoward in the solicitors doing this.

I appreciate Mr and Mrs F say they weren't told they'd need to provide the full building consent sign-off before their re-mortgage could complete. However, Nationwide wasn't required to provide Mr and Mrs F with advice on this issue. Nationwide had no advisory role in this transaction at all.

Mr and Mrs F say that they were told by Nationwide that they could have borrowed a lower amount, or that funds could have been held '*in escrow*' (what is known as a retention) until the works were completed.

However, Mr and Mrs F were required to redeem their existing mortgage in full on completion. If they'd borrowed less or if there had been a retention, this would have left a shortfall of the amount required to redeem the existing mortgage. Mr and Mrs F weren't borrowing any additional funds, only the amount they needed to repay their existing mortgage. In the circumstances, this wouldn't have been a viable option, even if it was within Nationwide's discretion or lending policy.

In all the circumstances, therefore, I am unable to find Nationwide to be at fault. I appreciate Mr and Mrs F's mortgage with their other lender reverted to SVR before their Nationwide mortgage was completed, resulting in them paying additional interest. But I'm unable to find this was as a result of any error, act or omission on the part of Nationwide.

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 discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 25 October 2024.

Jan O'Leary
Ombudsman