

complaint

Mr and Mrs B complain that Nationwide Building Society unfairly refused their application for mortgage lending.

background

Mr and Mrs B applied to Nationwide for mortgage borrowing. They wanted to borrow around £100,000 to carry out various improvements to their property. They gave Nationwide details of their financial position, which they believed showed that the borrowing was affordable. But Nationwide refused their application. Mr and Mrs B complained that this was unfair, and that Nationwide hadn't properly looked at all their circumstances.

Nationwide said that the information it had didn't show that Mr and Mrs B could afford the loan. It said that their bank accounts showed that they were reliant on their overdrafts, and it didn't accept overdraft borrowing as disposable income. It said that it took account of everything that they had said, but didn't think that the borrowing was an acceptable risk.

Mr and Mrs B said that, like many wealthy people, they juggled their finances between different accounts and commitments. As well as their regular income, they received bonuses and gifts from family which should be taken into account. It was true that they used their overdrafts, but there had been a series of one-off expenditure items. And while they appeared to have no disposable income, this is because they spent their surplus on leisure, holidays and other discretionary spending. A proper income and expenditure analysis would show that they could reduce that and easily afford the borrowing.

Our adjudicator noted what Mr and Mrs B said. But he thought that Nationwide had discretion about whether or not it wanted to lend, and what information it took into account in making lending decisions. He didn't think that the refusal was unreasonable. He noted that Nationwide had offered £50 compensation for confusion over a document requested during the process and thought that was reasonable. Mr and Mrs B didn't agree and asked for an ombudsman to review their complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I'm afraid that I too must disappoint Mr and Mrs B; I don't intend to uphold their complaint. Whether or not to lend is essentially a matter for Nationwide's commercial judgement. I can look to see whether it made that decision on a reasonable basis. But provided it has, it isn't for me to substitute my view – or Mr and Mrs B's – of whether the application should be granted for Nationwide's.

Having looked at the case carefully, I don't think Nationwide's lending decision was unreasonable. It took into account what Mr and Mrs B said, for example about the family gifts, but still didn't think that the lending should be granted. Its key concern was that Mr and Mrs B's financial situation didn't seem to support the level of borrowing they wanted.

Mr and Mrs B acknowledge that they had – and were using – overdrafts. But they say that Nationwide should have looked at their committed expenditure and seen that they had scope to reduce their discretionary spending to afford the loan. I don't agree that Nationwide is

required to carry out that sort of exercise. I think it is reasonable for it to look at the facts of current income and spending as presented to it, not what they might be if Mr and Mrs B made major changes to their lifestyle.

Ultimately any bank or building society has a wide degree of latitude in how it decides whether or not to lend money. I recognise that Mr and Mrs B don't agree with Nationwide's decision. But, on the facts presented to it, it was a decision that was within the bounds of a reasonable exercise of commercial judgement. So I can't uphold this complaint.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 July 2015.

Simon Pugh
ombudsman