

## **The complaint**

Ms E complains that National Westminster Bank Plc (“NatWest”) hasn’t done enough to help her when she notified it of difficulties she was expecting to have making repayments to her mortgage.

The mortgage is held jointly with Mr B. Mr B has confirmed he is happy for us to consider this complaint. As Ms E is the party predominantly bringing and affected by the complaint, I’ve mostly just referred to her in my decision.

## **What happened**

Ms E and Mr B took out a joint mortgage with NatWest in 2017. The mortgage was on a capital repayment basis, repayable over 21 years. They took a further advance in early 2019. Again, this was on a capital repayment basis and the term matched the remaining term on the original mortgage. At the time of taking the further advance they arranged a five-year fixed interest rate on all of their secured borrowing.

Ms E and Mr B separated. And I understand Ms E is now making the repayments towards the mortgage.

Ms E’s employment situation was affected by the pandemic. So, she approached NatWest for help. She explained that her job meant she needed to avoid any adverse information being registered on her credit record. And so, she didn’t want to make any changes to the mortgage or put in place any temporary agreement that would result in negative information being recorded on her credit file. But she said she still needed assistance from NatWest as she expected to struggle with the contractual monthly repayments.

Ms E asked if the mortgage could be converted to interest only and said she had means to repay the capital balance - as she was due to receive as a lump sum, significantly before the end of the mortgage term.

A three-month repayment holiday was agreed on the mortgage from May – July 2020. NatWest declined the request to change the mortgage to an interest only basis, as it said Ms E did not meet its lending criteria. It did agree though, in the event Ms E chose to re-mortgage elsewhere, to reduce the early repayment charge (“ERC”) she would incur by 50%.

Ms E asked our service to look into matters. She was unhappy that NatWest had not agreed to the change to the mortgage as requested and that it was not doing anything more to help her, despite her being proactive and informing it she was finding it difficult maintaining the mortgage repayments.

One of our investigators considered things but didn't think NatWest had acted unreasonably. She said NatWest was entitled to review the request in line with its lending criteria, and that there weren't grounds to set these aside under the rules set by the regulator, the Financial Conduct Authority ("FCA"). And NatWest had shown that the request to change the mortgage to an interest-only basis was outside of its lending criteria, so it hadn't acted unreasonably by turning this down. She acknowledged Ms E had asked for assistance and that she'd expect NatWest to continue to discuss with her how it could help. But she also noted, with Ms E not wanting her credit file to be impacted, the potential help NatWest could reasonably provide was limited. And given NatWest had agreed to reduce the early repayment charge payable if Ms E wanted to re-mortgage, she felt it hadn't acted unfairly.

Ms E did not agree. She said she felt NatWest hadn't been helpful or offered any reasonable solution to help her at a time where she was vulnerable and had made it aware she was expecting to struggle with repayments. So, she asked for her complaint to be reviewed by an ombudsman. As a result, it has been passed to me to decide.

### **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 read everything that Ms E has said about her circumstances. And I'm sorry to hear about the difficulties she has been facing and don't doubt that this has been an extremely distressing time. And I'm conscious that she has been honest with NatWest and was proactive in contacting it when she identified that she may potentially have difficulty with making the mortgage repayments. What I need to decide is whether NatWest has acted fairly after being made aware of this.

One of the things Ms E requested was switching the mortgage to an interest only basis.

NatWest has provided a copy of its lending criteria in respect of interest only borrowing. NatWest has set these criteria based on its commercial judgement, including around the level of risk it is willing to accept, and its wider obligations to lend affordably and responsibly. NatWest has shown that Ms E does not meet the eligibility criteria for it to provide interest only borrowing. This is because it has said her earnings are not above the minimum level it requires. NatWest has said this lending criteria applies to all applications for interest only borrowing and so Ms E doesn't appear to have been treated differently to other customers.

There are regulations that have flowed from the FCA's Mortgage Market Review (MMR). These brought about stricter lending criteria, to encourage businesses to lend more responsibly. The FCA recognised though that existing borrowers who wanted to make changes to their mortgages might have difficulties with this if they passed the old rules but not the new ones. So certain rules were introduced, allowing businesses to set aside new rules around affordability, in certain circumstances. The criteria that NatWest has set out for allowing interest only borrowing appear to stem from its interpretation of what was required for the mortgage to be affordable. So, as Ms E was an existing customer, I've thought about whether, under the rules I mentioned, NatWest had grounds to set its criteria on affordability aside. But having looked at this, Ms E's mortgage, and the change that she was asking to make, don't fall into a category that would allow these rules to be set aside.

Taking all of this into account I don't think NatWest did anything wrong by applying its standard lending criteria to Ms E's request to switch to interest only. And as she did not meet these criteria, I don't think it has treated her unfairly by declining this request.

Ms E has said, NatWest didn't offer any reasonable alternatives in order to assist her while she was struggling.

I can see that NatWest agreed a three-month repayment holiday on the mortgage, to provide some breathing space, at the outset of the pandemic. And I think this was fair. I've also seen the letter that NatWest sent Ms E when this repayment arrangement was due to end. This invited her to get in touch if she felt she was still going to struggle to make repayments. And set out some potential options such as extending the repayment holiday or agreeing reduced repayments. But it doesn't appear Ms E contacted NatWest again, after this letter was sent.

I can see that NatWest also said it would only charge 50% of the ERC, due under the original mortgage contract, in the event Ms E chose to refinance the mortgage elsewhere. Again, I think this offer was fair as NatWest was under no obligation to waive or agree to reduce the ERC. And it appears, when NatWest said it'd be unable to switch the mortgage to an interest only basis, that it suggested Ms E contact external organisations that might've been able to help and provide advice.

Ms E has said that this didn't help her with the situation she was immediately facing – making her current mortgage payments. And she says NatWest didn't offer any other suitable alternatives, as she thinks it should have done based on her circumstances and the recommendations of the regulator that business do what they can to help borrowers following the onset of the pandemic.

Ms E has been very clear though that she wanted to stay in her current property and didn't want her credit file to be impacted by any agreement made, as this could impact her employment. So, she was unwilling to agree to any changes to the mortgage that would have this effect. And I think this has limited what NatWest could potentially do to assist.

A repayment arrangement, where NatWest agreed to accept reduced repayments for a period, would've impacted Ms E's credit file. Likewise, a temporary switch of the mortgage to an interest only basis would've represented an arrangement outside of the mortgage contract originally agreed, so would've been reflected in her credit file.

I note NatWest has told our service that it does not offer temporary switches to interest only where someone is facing difficulties. I find this somewhat concerning given that under MCOB, the rules set by the FCA around the provision of mortgages, it specifically says under rule 13.3.4A that lenders must consider a change to the mortgage type if it is appropriate to do so where a customer is facing repayment difficulties. But as I've already said, given what Ms E has said about not being willing to enter into any arrangement that could impact her credit file, as this type of arrangement would be recorded on her credit file, I don't think this makes a difference here.

Alternatives to repayment arrangements, such as the assisted sale of the property would also not have been appropriate given Ms E's aim to remain in her property. So, I don't think there was much more, beyond what NatWest did agree to do, that it could've done to assist Ms E. And I don't think it would've been reasonable, as an alternative, for NatWest to accept payments arrangements or any other variation to the original contractual repayments or terms without recording this with credit reference agencies. And taking this into account, I don't think NatWest has treated Ms E unfairly.

I would still expect, moving forward, that NatWest engage positively in any further discussions with Ms E about the contractual repayments, and look to help where it can. But if Ms E's requirements remain the same, I think the further support NatWest is likely to be able to offer would remain limited.

**My final decision**

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E and Mr B to accept or reject my decision before 25 October 2021.

Ben Stoker  
**Ombudsman**