

## **The complaint**

Mr and Mrs G complain about what happened when they asked National Westminster Bank Plc to help them with their mortgage, during a period of financial difficulties.

## **What happened**

This complaint is made by Mr and Mrs G, but Mr G has taken the lead in discussing these issues with our service. He told us that he lost his job and salary at the beginning of 2021. Since then he has made as many mortgage payments as he could, but he said his money ran out in July 2021.

Mr G said he contacted NatWest to discuss his situation, and asked it to temporarily move the mortgage onto interest only until his finances improve. He said he could afford to pay the interest on the outstanding amount owed, and to pay arrears over 12 months. Or, if that wasn't possible, Mr G wanted NatWest to extend the term of the mortgage, which would then reduce the monthly payment to something that he could afford. Mr G said he could afford just over £1,000 per month if he reached an arrangement with his unsecured creditors.

Mr G said he discussed these problems with a debt management charity ("DMC") which told him to talk to NatWest. But every time he did so, NatWest told him to talk to the DMC again, and the DMC then just told him again to approach NatWest.

Mr G said NatWest wouldn't help him. It just said he wasn't eligible for an interest only mortgage because he didn't earn enough. And he was too old for NatWest to extend the term of his mortgage, as that would mean lending past his 70th birthday.

Mr G said he wanted to just pay the interest for a short time and get the existing arrears down, until he found another job. He told us about the income he receives from pensions, and said he could use this to make payments.

NatWest said it wouldn't consider a temporary change to interest only repayments as that wasn't something it offered when someone is in financial difficulties, doesn't meet its ordinary lending criteria for an interest only mortgage, and doesn't have a suitable repayment vehicle in place. NatWest would consider a term extension if that was in the best interests of the customer, but it said Mr G was allowed a maximum term extension to age 70, and he was already on this.

NatWest also said that it had completed an income and expenditure affordability assessment on what it could offer, and that left a deficit.

Our investigator didn't think this complaint should be upheld. He said NatWest had followed the Financial Conduct Authority's (FCA's) guidance in allowing Mr and Mrs G a further partial payment deferral, after their six month payment holiday (granted under pandemic arrangements) ended in December. NatWest then wanted to do a review to see if Mr and Mrs G could afford their payments.

Our investigator noted that at this time, Mr and Mrs G were paying around £800 a month

towards their unsecured debts. But our investigator said that a mortgage is a priority debt. Unsecured debt payments should be suspended first. He said that was why NatWest kept referring Mr and Mrs G back to the DMC. He didn't think that was unfair.

Our investigator said a temporary change on this mortgage to interest only is essentially a long-term payment arrangement for 12 months. And he didn't think it would be fair for NatWest to refuse that, just because Mr and Mrs G didn't meet NatWest's criteria for a permanent switch to an interest only mortgage. But because Mr and Mrs G hadn't followed the DMC's advice, and were more than three monthly payments in arrears, he didn't think it was unfair that NatWest turned them down for a payment arrangement.

Our investigator said he'd looked at how much money Mr and Mrs G would have had after any twelve month interest only period, and he thought that they would still have found themselves in a similar position after this. So he didn't think that would be a long-term solution, and it may have left Mr and Mrs G in a worse situation.

Mr and Mrs G said NatWest turned down an offer of £1,000 a month. Our investigator said NatWest has an obligation to ensure that any agreed payment arrangement would leave Mr and Mrs G with money for essential living and wouldn't put them in further financial difficulty.

Mr and Mrs G didn't agree. Mr G replied on behalf of them both. He explained what happened when he lost his job, and the effect this had on him. He said the DMC wasn't able to take on his case, because NatWest wouldn't reduce his monthly payment. He said he'd never been interested in the £150 of compensation that NatWest had offered. He needed some sort of compromise or long term planning. And he said there had never been anything on the table that represented a long term solution.

Mr G also said the DMC hadn't instructed him to contact unsecured creditors, although it had said he should prioritise his mortgage. He said he was only making the minimum payments on his credit cards. And he thought he and Mrs G should have been given more credit for paying their mortgage interest every month, plus a small amount to reduce the arrears.

Mr G repeated that if NatWest had given him a figure it would accept as a monthly payment then he could place suspensions on all his remaining unsecured debts. He felt he was left with no option but to pay the loan and two credit cards, at least until NatWest had reached a compromise with them on a reduced monthly mortgage payment. And he said if he had reduced or suspended his unsecured debts he would have been able to pay the additional £1,000 he'd offered.

Mr G felt NatWest's qualifying criteria for an interest only mortgage were unfair and unjustifiable. He said that would completely exclude any ordinary homeowner from applying for such a mortgage. And he said an age limit of 70 on making mortgage repayments was at worst discriminatory and at best didn't take into account the many hard working people of pensionable age, who have no intention of retiring or stopping work.

Mr G said his pensions would provide an income that would continue past the age of 70, so he wanted to know where NatWest had taken this into consideration.

Mr G told us he had now started the process of contacting all of his unsecured creditors.

Our investigator said he was sorry to hear what a difficult time Mr G had experienced, but he didn't change his mind.

Mr G continued to disagree. And he told us he had now reached an arrangement with his unsecured creditors. He said the DMC was waiting for another pension to become payable

to Mr G, and then it would set him up with a monthly payment that could be in place for several years, until all his debts were settled.

Our investigator suggested Mr G should also talk to NatWest again, and he didn't need to wait for this additional pension to do that. Our investigator said it wasn't our role to negotiate or suggest an affordable monthly payment - that's not what we do. He said NatWest was unable to take Mr G's word that he could reach agreement with the unsecured creditors and then pay £1,000 without seeing evidence of this. That wouldn't be responsible lending.

Mr and Mrs G wanted their complaint to be considered by an ombudsman, so this case was passed to me for a final decision.

I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

I'll set out a short timeline here, and note my views at each point. Following a six month payment holiday, in December 2020, Mr G told NatWest that he might not be able to make January's payment. Later that month, Mr G told NatWest he'd lost his job, he had interviews lined up for January 2021 so needed some breathing space. NatWest arranged for a call back to go through an income and expenditure assessment at a later stage. It did that, and it understood then that Mr and Mrs G had a monthly surplus of around £258 without their mortgage payment. So, NatWest agreed to accept £258 a month for three months, starting in January 2021.

At this point, I think that NatWest was trying to assist Mr and Mrs G, with what both it and they hoped would be a short term problem, while Mr G was looking for work. I think that's both fair and reasonable.

In late March, Mr G told NatWest that he'd set up his own consultancy business, and things were initially going well. Mr and Mrs G made what appears to be the full monthly payment for April, May and June 2021. So at this point, I don't think NatWest was aware that Mr and Mrs G were still having problems. I don't think it was unreasonable for NatWest to accept these payments, or not to offer further support at this point.

But this consultancy doesn't appear to have generated the hoped-for income, because Mr G told us that by July, his funds had run out. I can see that at this point, Mr G was asking for an interest only mortgage. He said then the DMC had helped him to reduce his outgoings somewhat. But it has since transpired that Mr G hadn't yet written to his unsecured creditors to reduce his payments to them. He says there wasn't any point in doing this until NatWest came up with a reasonable offer.

In August, Mr G considered whether to reduce the mortgage arrears below three months, as NatWest had consistently said it couldn't help if his arrears were over this amount. But NatWest still didn't think it would be able to help him. It checked the couple's income and expenditure again then, and said they still had a deficit even if they completely stopped payments to unsecured creditors. NatWest understood that Mr G thought he could pay £850 a month, but it said that because he was paying his unsecured creditors, that would still leave him in deficit by £388 per month.

Mr G has continued to pay the interest on this mortgage every month, and says this is evidence he can afford this payment. I don't think I can accept this alone is evidence of

affordability, as some of the more recent payments appear to have been made on a credit card, so I cannot see if those have been paid back. And, most importantly, I wouldn't expect NatWest to just assume Mr and Mrs G could afford this amount.

I understand that Mr G has now sought to reach agreements with his unsecured creditors. I hope this has proved possible for him.

Mr G has consistently said he wanted NatWest to decide how much it would accept, then he could reduce his other, unsecured debts in line with this. But I think the advice Mr G had received from the DMC was that this process works the other way around. Mr and Mrs G needed to reduce their overall outgoings, and they had to start with their unsecured debts.

It's only once they had done this, that NatWest would be able to see whether it could offer any support which they would be able to afford.

Mr G has criticised the reasons that NatWest gave for refusing to make concessions on their mortgage. He says these are unfair, and possibly discriminatory.

I don't think that NatWest should have turned Mr and Mrs G down for a short-term change to an interest only mortgage because they wouldn't meet the requirements for a permanent switch to this type of mortgage. And it ought not to have turned down a term extension for Mr and Mrs G without being clear with Mr G that it had considered the specifics of their situation. But unfortunately, I don't think either of those conclusions helps here. That's for two reasons.

Firstly, whatever my conclusions on the reasoning that NatWest gave, I would still say the same as our investigator - that I would not expect NatWest to accept a significant reduction in payments to a secured debt, when Mr and Mrs G were still meeting their full loan payments and making their minimum credit card payments.

And secondly, I can see that NatWest did look closely at Mr and Mrs G's income and expenditure. Mr G has also shared with us the details he gave to the DMC. And I don't think that there was an option for NatWest to provide a solution here which it has ignored, or wrongly failed to offer Mr and Mrs G.

Although I appreciate that Mr G may well disagree with me on this, on his current income, it didn't look like the couple could afford the sorts of changes NatWest might make over the longer term. And it does appear to have set this out for them. I wouldn't expect NatWest to change Mr and Mrs G to an interest only mortgage in the long term, if they didn't have a way to pay off the capital at the end.

And I would only expect NatWest to make changes for the short term, if it has good reason to expect things will then have changed. I don't think Mr G's one additional state pension provided the scale of change that would then be needed, and I think that NatWest was already aware that Mr G's attempts to get a new job hadn't borne fruit.

I do think NatWest hasn't communicated well with Mr and Mrs G at times. But I'm sorry to have to tell Mr and Mrs G that I don't think clearer and more helpful advice from NatWest would have changed the fundamentals of their position.

NatWest has paid Mr and Mrs G £150 for poor service when it delayed in responding to them. I do think that NatWest has provided poor service at points, for the reasons I've explained, but I think this provides a fair and reasonable response to that. So I don't

think it has to do more than this. And because of that, although I know Mr and Mrs G will be disappointed, I don't think this complaint should be upheld.

I do hope that Mr and Mrs G have now been able to substantially reduce their outgoings on their unsecured debts. And, like our investigator, I would also encourage them to discuss their position further with NatWest once this is done.

I invited the parties to make any final points, if they wanted, before issuing my final decision. NatWest replied to say that it agreed with my decision. Mr and Mrs G didn't reply.

### **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.

Neither side has offered any additional evidence or argument in this case, and I haven't changed my mind. So, for the reasons set out in my provisional decision above, I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 17 August 2022.

Esther Absalom-Gough  
**Ombudsman**