

The complaint

Mr C and Miss H complained that they received poor advice from Nationwide Building Society about their mortgage. They said that this meant they lost the opportunity to change their existing lending to a better rate, then port this to their new home.

What happened

This complaint is brought by Mr C and Miss H about their joint mortgage. But Mr C has taken the lead both in dealing with Nationwide and then in pursuing this complaint with our service. So I'll refer to his comments, although these are made on behalf of them both.

Mr C told us there were two issues in this complaint, that Nationwide gave misinformation about a mortgage switch, and that it failed to advise him about internal restrictions it has, which mean it's not possible to apply to switch a current mortgage to a different product, and apply for additional lending at the same time.

Mr C and Miss H took out a mortgage in 2018, with a rate that ended on 31 March 2021. Mr C told us they were already planning to move house before their existing mortgage deal came to an end. Mr C wanted to apply for a new deal for the existing lending, then port this to their new property, along with some additional lending. But he said that by the time he found out how Nationwide needed him to make these applications, and that his application for the rate switch on his existing lending couldn't overlap with his application to take out some additional lending, he was too late. He and Miss H weren't able to switch their existing mortgage and apply for new lending without delaying their sale and purchase.

Mr C said that because of this, their existing mortgage moved on to the highest standard variable rate for the time before they completed the sale of their old house. Then they had to redeem their current mortgage and take out a new mortgage for the purchase of their home, which was again at a higher interest rate.

Mr C said this was extremely stressful, and told us about an underlying health condition that meant it had a particularly serious effect on Miss H.

Mr C said that this all went wrong because he was told by a branch manager in early March that they had until the end of March to agree a new deal on their existing lending. But they didn't, the application had to be completed by 26 March, and it couldn't be made in the same month as their application for additional lending. So Mr C wanted Nationwide to refund the extra they had had to pay each month on their mortgage, and pay compensation.

Nationwide said it didn't agree. It said that it couldn't be sure what happened on the call with the branch manager, as those calls weren't recorded. But it said that it had sent Mr C a letter on 9 March 2021 which he confirmed he'd received. That letter told him that the cut-off date for applying for a new rate on his existing mortgage was 26 March 2021.

Nationwide's position was that this letter had told Mr C the change needed to be completed by then, not done on that date. Nationwide said that this deadline was a result of the time needed to change a direct debit for the next month.

Nationwide thought that the problems Mr C experienced were all because he didn't read this letter. So Nationwide didn't think it had done anything wrong. It thought it had told Mr C what he needed to know, and it wouldn't change the mortgage rate.

Our investigator didn't think this complaint should be upheld. He said that if Mr C had read the letter Nationwide sent on 9 March, he would have been aware of the deadline that was coming up, to change the existing mortgage deal. So our investigator didn't think that what had gone wrong was Nationwide's fault.

Our investigator understood Nationwide had accepted responsibility for what had gone wrong at first. It offered £100 in compensation and to revert the existing mortgage rate back to the original rate. But when Mr C turned that down, Nationwide looked into this complaint in more detail. It then changed its mind about whether it had made a mistake and withdrew its offer of compensation. Our investigator said Nationwide is entitled to change its mind, and withdraw its previous offer.

Mr C didn't agree. He said Nationwide was being given the benefit of the doubt about what was said, on a call it had chosen not to record with the branch on 11 March 2021. He thought that call should have included correct information about any deadline for changing his mortgage, and it didn't. He said he'd relied on the incorrect advice given then, otherwise he would have read the letter Nationwide sent.

Mr C also thought Nationwide should have told him that switching rates is counted as a new mortgage application, and he couldn't have two applications running at once. This was important for his circumstances, and there was no other way for him to tell this was the case.

Mr C wanted this 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 propose to uphold it. This is what I said then:

Both Mr C and Nationwide have focussed on whether the conversation Mr C had with a branch manager on 11 March 2021 was misleading, and whether Mr C ought to have relied on what he says was said then, about the deadline for switching his existing mortgage.

We know now that Mr C had to complete the process to agree a new deal on his existing mortgage by 26 March 2021. And he says he was told, wrongly, that he had until the end of the month to switch. But I don't think that this was the only opportunity for Mr C to be told this, and I don't think that Mr C would necessarily have been in a better position if he'd read the letter that Nationwide sent. That's because the letter sent to Mr C only dealt with part of his concerns – moving to a new mortgage rate when his old rate ended. It didn't deal with the impact of having another application (for entirely new lending) running at the same time.

If Mr C had read this letter, then he would have known he either had to make his application for a new deal by 26 March or pay the standard variable rate for that month. But Mr C couldn't have known, from this letter, that by missing that deadline to switch his existing mortgage, he wouldn't just pay more for one month. He would actually run

out of time to agree a new deal for the existing lending before he wanted to have his new borrowing in place. That's apparently because Nationwide does count the two things he wanted – a rate change on his existing lending, then some additional lending for a new property, as two applications. And Nationwide will only do one application per month.

I think Nationwide did have an opportunity to tell Mr C this. He also spoke to Nationwide on 13 March 2021, and booked a time to talk to a mortgage advisor. Information was taken then for a decision in principle on his new lending. That call was recorded.

Mr C gave this call handler a number of important pieces of information. He told the call handler he wanted to change his existing mortgage to a fee-free tracker, and to port this lending to his new home. He also said there was a sale agreed on their house, the existing mortgage deal finished at the end of that month, and he was concerned about how long it would take to agree a new mortgage, because he didn't want anything to delay the purchase.

I think that Nationwide had all the information, on this call, that it needed to advise Mr C about his existing mortgage. The call handler could have warned Mr C that he needed to change his existing mortgage well before the end of the month, and indeed as soon as possible, because he couldn't apply to amend his existing rate, and to add new lending, at the same time.

And Mr C did ask about porting his existing lending on this call. He wanted to know if he would be better off doing that. But this call handler told Mr C she would set aside the issues about whether he would be better off porting some of his existing lending or taking out an entirely new offer, and the mortgage advisor would deal with those issues.

Because of that, Mr C didn't know he couldn't do the two things he and Miss H wanted – to agree a new deal for the existing lending and apply for more lending - at the same time. And I think that's the key problem here, not that Mr C didn't know about the 26 March 2021 deadline. Had he been advised on this, I'm satisfied he could've taken steps sooner to make sure that the two things he wanted to do, change his existing mortgage and then apply to port it, could've both happened.

Without Nationwide's prohibition on considering two lending applications at the same time, Mr C could still have applied to change his existing lending, and to take out new lending, at the end of March or start of April 2021. It's this rule that stops overlapping applications which caused Mr C to have to take out entirely new lending for his new mortgage.

Given what Nationwide knew, I think Mr C should have been warned about this, possibly on the call he had with the branch manager on 11 March, but definitely on the call he had on 13 March. And he wasn't.

Mr C thought this cost him a very significant amount of money. It looks like Mr C may have reached this conclusion partly because he thought the existing lending could have been agreed at a rate applicable to a percentage of his new home's value (this percentage is called the Loan To Value, or LTV, and usually determines the interest rate a lender will offer).

But that's not how porting works. Any change to Mr C's existing lending would be worked out on the LTV of his old property (the one he was living in at that time) then this lending could potentially have moved, at this rate, to the new property. Any higher rate would apply to the additional lending he took out, but again, crucially, this would be worked out on an LTV based on his total borrowing, not just the additional lending.

Mr C also said that he could have taken out a mortgage at a more attractive fixed rate for five years, on his new home. But I note that although Mr C and Miss H initially considered a five-year fixed rate when looking at new lending, they eventually decided to opt for a two year tracker of 3.09% on 16 April 2021. Their new property needed work, so they decided to take out a two year tracker initially, with no fee and no early redemption charge. Mr C envisaged taking out a better deal, at a lower LTV on a fixed rate product in the future, once the work was done. And I note that Mr C and Miss H have now done this, taking out a two year fixed rate of 1.34% on 01 December 2021.

I've explained what I think has gone wrong here. So I'll set out now what I think Nationwide should have done, and what I think would have happened as a result.

Mr C should have been told on 13 March 2021 at the latest, that if he wanted to change the existing mortgage deal to the two year tracker that he mentioned, then he should do that quickly, so he could then make his second application (for porting and further lending) without delay.

I think Mr C would then have applied for a two year tracker, the deal he said he wanted on the 13 March call, for his existing lending.

Nationwide thought Mr C had an LTV of 85%, but he and Miss H had agreed a sale at £11,000 more than Nationwide's assumed valuation for their property. Mr C said he had three valuations at this amount. Nationwide offers a light-touch appeal against its valuation, which can take 24-48 hours. What both sides have said about this makes me think that Mr C is likely to have been successful in an appeal against Nationwide's valuation, and he would then have switched the existing lending to a two year fee free tracker, at 1.99%.

Mr C would then have ported this part of the mortgage to their new home, and arranged the rest of this lending at the most advantageous rate available, which I think would have been the two year tracker at 3.19% that they did eventually take out.

So I think that Nationwide should rework this mortgage now, on the basis that Mr C and Miss H made the changes above, so their existing lending was moved onto a two year tracker rate of 1.99% as at 1 April 2021, and remained on this rate until 1 December 2021.

This will mean Mr C and Miss H have overpaid on part of their lending, from 1 April 2021 to 1 December 2021, the date when their further change to a five year fixed rate took effect. I think Nationwide should refund this overpayment to Mr C and Miss H, with 8% simple interest added from the date of their overpayments to the date that Nationwide makes the refund.

Mr C and Miss H also wanted compensation for the stress that this caused them, and the effect on Miss H's health. I think any mortgage application, along with the sale of an existing home and the purchase of a new one, is always a stressful event. But Mr C has told us this problem caused the Mr C and Miss H additional stress, and he's described the impact this had on Miss H's health. For those reasons, I think Nationwide should also pay £100 in compensation.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Mr C replied for himself and Miss H. He said that having gone over the details again, as set out in my provisional decision, they thought this was now a fairer reflection of the situation, and goes a way to putting things right. So they didn't feel they needed to make any additional points at this stage.

Nationwide wrote to say that it was happy to agree with my suggested resolution in principle. It did think it should give Mr C and Miss H some money back. But it didn't think I'd used quite the right rate for recalculating the mortgage. It thought the interest on Mr C and Miss H's mortgage would have been a little bit higher than I had suggested.

I have discussed this with Nationwide, and it appears that Nationwide had suggested a slightly higher rate may apply because it thought that the rate calculation should be based on interest options available at 13 March, and also because it wasn't working on the same LTV as I had proposed. I hadn't set the LTV out explicitly in my provisional decision, and I have apologised to Nationwide for any confusion this has caused.

I think it's appropriate to use a rate available at 13 March, when Mr C should have been told the key information about needing to make two applications. And I think it's appropriate to use the under 75% loan to value which my calculations in the provisional decision above produced.

I have discussed the applicable rates and the relevant time with Nationwide, and it has now agreed that it will make the refund I'd suggested, on the basis of 1.99% interest, which Mr C could have accessed for his original borrowing if he'd been given the key information on 13 March.

Nationwide has helpfully set out the relevant figures, so that Mr C and Miss H will know what to expect. It says that it will–

- Refund £487.67 in payments made plus 8% simple interest from the date of each of the payments to the date of settlement. This will be calculated as the total in overpayments in the contractual monthly payments from how the mortgages were to how they should've been.
- Refund of £56.69 in respect of too much interest paid on the old closed mortgage.
- Write off £204.73 off the new mortgage balance in respect of too much interest being paid.
- Pay £100 compensation for trouble and upset..

My final decision

My final decision is as follows –

- Nationwide Building Society must rework Mr C and Miss H's mortgage, on the basis that their existing lending was moved onto a rate of 1.99% as at 1 April 2021, and remained on this rate until 1 December 2021.
- Nationwide Building Society must refund this overpayment to Mr C and Miss H, with 8% simple interest from the date of their overpayments to the date that it makes the refund. HM Revenue and Customs requires Nationwide Building Society to take off tax from this interest. Nationwide Building Society must give Mr C and Miss H a certificate showing how much tax it's taken off if they ask for one.
- Nationwide Building Society must also pay £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss H to accept or reject my decision before 12 September 2022.

Esther Absalom-Gough
Ombudsman