DRN-4050546

The complaint

Mr and Mrs C complain they weren't able to remortgage with National Westminster Bank Plc in September 2022, as NatWest said they couldn't pay an Early Repayment Charge ("ERC") to end their current deal without advice, and no advice could be given for over six weeks.

What happened

Mr and Mrs C said in late September 2022 they wanted to exit their existing NatWest mortgage deal a little early, to secure a new deal with NatWest. They said their own broker would have been able to help them select a new deal at the start of November, but they didn't want to wait until then. They told us they needed to avoid the potential increases in mortgage interest rates before their current deal expired.

Mr and Mrs C contacted NatWest, but they were told that because they had an ERC on their current mortgage, they would need to get advice from a NatWest mortgage advisor first. Without that advice, they couldn't pay the ERC, exit their current mortgage deal, and take out a new deal with NatWest. So they would need an appointment with a NatWest mortgage advisor. Their own broker couldn't do this for them until the start of November.

Mrs C spoke to NatWest on 29 September 2022, and was told no appointments with its mortgage advisors were available until 12 November 2022. Mr and Mrs C said this was too late. So they said interest rates rose before they could remortgage, and they anticipated paying much more as a result.

Mr and Mrs C said changes to their family situation (which I will not set out fully here) have meant their income has reduced, so they couldn't switch lender for their remortgage. Mr and Mrs C said they felt they'd been responsible in seeking to plan their finances, but had been blocked by NatWest. They wanted NatWest to honour the rate which was available to them at the time they asked to switch.

NatWest said it had apologised to Mr and Mrs C for long call wait times, and for the long wait times to speal to a mortgage advisor. But NatWest said when a customer is moving from an existing deal before it ends, and wants to repay the ERC to do so, it does want those customers to speak to a mortgage advisor first. That's to ensure they are fully informed about the choice they're making, and aware of the consequences.

NatWest said at the time when Mr and Mrs C asked for an appointment, the volume of customers switching to new rates had been unprecedented, and like many other banks, it had found the requests for appointments to be overwhelming. So there was, unfortunately, a long wait for appointments. NatWest didn't think that was its fault. It had offered Mr and Mrs C a gesture of goodwill of £100, but it wouldn't do more than this. It wouldn't offer them now, the rates that were available when they first asked about an advisor appointment.

Our investigator didn't think this complaint should be upheld. He said although he couldn't be certain what decisions Mr and Mrs C would have made if they'd spoken to an advisor, he still thought that Mr and Mrs C were affected by the lack of availability of these appointments.

Because of this, Mr and Mrs C weren't able explore borrowing possibilities during a time when it was particularly important to them to do so.

Our investigator noted that other lenders do allow people to exit their existing mortgage deals in different ways. He said it was for NatWest to set its own processes here, but he didn't think that NatWest had acknowledged the impact this process had on Mr and Mrs C. So he said he'd ask it to pay £200 more, making £300 in compensation.

Mr and Mrs C didn't accept that. They said they could show they did want to exit their current deal, and sent evidence that their broker had asked NatWest if they could do this through the broker. They also said their broker had explained they couldn't go to another lender.

Mr and Mrs C said they'd recalculated, and their losses were £1,044. They said that was based on the difference between the monthly payments on the rate they had now secured and the payments on the rate they could have secured if they'd remortgaged when they wanted to, at the end of September, minus the ERC they expected, of £2,000. They said it wasn't fair for them to absorb all the losses, when NatWest was entirely responsible.

NatWest also objected to the increased compensation in this case. It said all lenders were under pressure at this time, due to the unprecedented situation with rate rises in September 2022. There simply weren't enough advisors to cope with the demand. But our investigator said NatWest's initial award didn't recognise the impact on Mr and Mrs C's ability to financially plan for the coming years, during very difficult personal circumstances. NatWest then agreed to pay what our investigator suggested.

Our investigator also considered the further evidence Mr and Mrs C provided. He said this did support what they'd said about intending to exit their mortgage, but NatWest hadn't stopped them from seeking borrowing elsewhere. He said it wasn't NatWest's fault that they weren't able to do that, or that it was an extraordinarily busy time for lenders at this particular time. So he said he couldn't fairly ask NatWest to repay the difference between the rate they wanted and the one they had eventually secured.

Mr and Mrs C disagreed. They said they couldn't have exited their deal without NatWest's involvement, and NatWest held them in their current deal against their will for 11 weeks, just because it didn't have any other way to let them out of their deal, and pay the ERC, then take new borrowing. Mr and Mrs C still thought all the evidence pointed to it being NatWest's fault that they couldn't exit their mortgage deal. And they said, having considered other situations set out on our website, they didn't think that an extra £200 was fair.

Our investigator said that as he'd understood it, NatWest only prevented Mr and Mrs C from taking out a new deal with it. Its customers are free to repay ERCs and move elsewhere. But Mr and Mrs C said that the fact they couldn't switch lenders was irrelevant, the deal they wanted was NatWest's, and they were blocked from getting that because of NatWest's inadequate systems. Mr C said he'd spoken to a number of lenders, and many of the other major lenders will allow customers to exit their current mortgage without an interview, either using an online application or through a broker. Mr C said he thought NatWest was the only major lender requiring an interview.

Our investigator didn't change his mind. Because no agreement was reached, this case then came to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

Although I haven't set out in this decision the personal circumstances that Mr and Mrs C have told us about, I have taken those into account in reaching my decision. So I appreciate that their financial circumstances have changed, and I accept that this meant they would have been unlikely to secure borrowing away from NatWest. This is why they say the impact on them of the lengthy waiting times for mortgage advice, was more severe.

But I've also got to take into account that the policy NatWest put in place, was designed to protect its customers. Exiting a mortgage early, and repaying an ERC, in order to take out a new deal, is a complex decision, and one which can shift rapidly with changes in mortgage rates. I think that's shown by the fact that Mr and Mrs C initially feared their mortgage costs would be £470 more each month, but have since told us their losses would total around £1,000 over the next two years, based on the ERC they anticipated, of £2,000.

I think it's reasonable for NatWest to say that it won't always be suitable for customers to repay an ERC to exit an existing deal. And NatWest wants to ensure that those customers who do choose to pay an ERC, are fully informed (including of the exact ERC that will be payable) and have considered all the implications of this. I know that not all lenders insist that customers have a mortgage advisor interview in these circumstances, but I don't think this was just an unreasonable policy for NatWest to have adopted.

I appreciate that things then became significantly more difficult, because of the increasing turmoil in the mortgage markets during September 2022, when Mr and Mrs C also wanted to remortgage. And that meant lenders were simply overwhelmed by requests for advice.

I think it was a combination of NatWest's policy on remortgaging when an ERC is payable, and the unprecedented demand for mortgage advice at the time, that delayed the provision of the advice that Mr and Mrs C needed. And I do appreciate this advice was a prerequisite for them moving forward. They told us the delay meant they weren't able to do so until they were past the time when they would have been able to reserve a new mortgage rate anyway, without the payment of an ERC.

But I've explained that I don't think NatWest had an unreasonable policy, I think it just became difficult in an unprecedented set of circumstances. And I think that even if Mr and Mrs C had been offered a mortgage appointment quite soon after their request was made at the end of September, they would still have been unlikely to avoid the NatWest rate rises which took effect at the start of October. I also don't think it would be reasonable to expect NatWest to have just waived its policy, in this case. So, on balance, I don't think it would be fair and reasonable, in all the circumstances of this case, to ask NatWest to offer Mr and Mrs C now the mortgage rate they could have achieved at the end of September 2022.

I do think that, as our investigator suggested, NatWest hadn't fully appreciated how the problems that it was experiencing in staffing advised mortgage appointments had affected Mr and Mrs C. So I think, in the circumstances of this case, that the total payment of £300 that our investigator suggested, does provide a more appropriate resolution than NatWest's original offer.

I understand that Mr and Mrs C are unlikely to agree with me, but I think that a total payment of £300 provides a fair and reasonable outcome in the circumstances of this case. And I know Mr and Mrs C will be disappointed, but I don't think NatWest has to do more than that.

My final decision

My final decision is that National Westminster Bank Plc must pay Mr and Mrs C £200 in compensation, in addition to the £100 it has already paid.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C and Mrs C to accept or reject my decision before 6 September 2023.

Esther Absalom-Gough
Ombudsman