

The complaint

Mr F's complaint is about a mortgage he has with National Westminster Bank Plc (NatWest). He believes the balance of his mortgage after arrears were consolidated is higher than it should be.

What happened

In 2008 Mr F took out a mortgage with NatWest for £174,750 plus £3,686.06 in fees. The mortgage was arranged on an interest-only basis over 35 years. In 2011 Mr F started experiencing financial difficulties and arrears built on the account, along with additional interest and fees being added.

In February 2022 NatWest offered to consolidate the arrears, fees and additional interest balances to the mortgage and add a new interest rate product. This fixed the interest rate at 1.72% until 30 April 2024. The illustration that accompanied the offer detailed a mortgage balance of slightly over £224,000 and a remaining term of 21 years and one month.

On 19 May 2022 Mr F had also been sent an arrears statement. This confirmed the mortgage balance was just under £224,000, of which around £30,000 was made up of arrears.

Subsequently, NatWest consolidated the arrears onto the main balance and attached a new interest rate product. Before it did so Mr F was sent a letter setting out the consolidated balance of the mortgage – just under £224,000. Mr F signed the letter and returned it, accepting the consolidation and the new mortgage balance that would result. He also accepted the offer of the new fixed interest rate product.

In February 2023 Mr F complained that NatWest had made a mistake with the mortgage balance.

NatWest responded to the complaint in an emailed letter of 30 March 2023. It explained that when arrears are consolidated they were not deducted from the total balance, but rather are included in it. It highlighted the information Mr F had been sent before the consolidation had taken place and that it detailed the overall balance of just under £224,000.

Mr F was not happy with the response he received and referred the complaint to the Financial Ombudsman Service.

One of our Investigators considered the complaint. He recommended it be upheld in part. While he was satisfied the balance of the mortgage was correct, he noted NatWest had not correctly reported a payment arrangement (agreed in August 2021) on Mr F's credit file. He recommended the credit file be corrected and NatWest pay Mr F £100 for the upset the issue had caused him.

NatWest accepted the Investigator's recommendation.

Mr F didn't agree with the Investigator. He reiterated that the opening balance of his mortgage was £174,750 and he was told he was in £30,000 of arrears. Consolidating the arrears would, therefore, mean the mortgage should have had a balance of around £205,000, not nearly £224,000. In relation to the Investigator's conclusion that the credit report was incorrect from August 2021, Mr F said NatWest had made many more errors on the report, and they went back as far as the report did. He didn't specify what those errors were or the specific dates.

In response the Investigator highlighted that the balance of approximately £224,000 at the point of consolidation represented the initial advance, plus the arrears, additional interest that had been charged on them and the arrears management fees. It was not just the original cash advance plus arrears, as Mr F had put forward. The Investigator also confirmed that he had reviewed Mr F's credit file alongside what had happened on the account. He said he had been unable to identify any other periods where NatWest had recorded incorrect data, and invited Mr F to provide details of what he thought was wrong.

Mr F remained unhappy and asked that the complaint be referred to an Ombudsman. He indicate he believed the £30,000 he had been told was the arrears balance, included the fees and additional interest the Investigator had mentioned. As such, the balance of the mortgage was still incorrect. In response the Investigator forwarded the full transaction history for Mr F's account to him, which showed how the balance had accrued.

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 F is convinced the balance of his account is incorrect as he only borrowed £174,750 in 2008. As I have detailed above, that is not the case. That is the amount that he borrowed for the purchase of the property, but he also added fees to the mortgage. The amount he borrowed in 2008 was £178,436.06.

If Mr F had made all of the monthly payments to the mortgage when he was required to, the balance would have remained at that figure throughout the term. However, he wasn't able to do that. The missed payments added up as an arrears balance – this is the approximately £30,000 balance Mr F was told about in the statements.

However, there were other costs associated with him having not made payments on time. The first of these costs were fees – arrears management and litigation fees. Then, as the amount Mr F owed was more than it should have been, there was additional interest accruing. The fees and additional interest were included in the total outstanding balance detailed on his statements, but they did not form part of the arrears balance of approximately £30,000. This is because of how lenders are required to administer accounts.

This means that while Mr F believes the total amount he owes is the original advance plus the arrears balance, that is not the case. He owed those two balances, plus the fees and additional interest that accrued since 2011. I have seen no evidence the balance of Mr F's mortgage is incorrect or that NatWest has made an error in this regard.

NatWest and Mr F agreed a payment arrangement for August to October 2021. At that time I would have expected contact from NatWest to review the arrangement, but there was none. Instead NatWest appears to have allowed the arrangement to roll on. In light of this, it would be reasonable for Mr F's credit file to record that a payment arrangement remained in place. So I am in agreement with the Investigator that Mr F's credit file should be amended to show a payment arrangement from August 2021 until the consolidation took place. Having

considered the £100 the Investigator recommended, it seems appropriate and proportionate to the amount of upset this specific issue caused Mr F.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement of this complaint I order National Westminster Bank Plc to pay Mr F £100 compensation and amend his credit file to reflect a payment arrangement being in place from August 2021 to May 2021 when the consolidation was completed.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr F to accept or reject my decision before 5 March 2024.

Derry Baxter
Ombudsman