

The complaint

Mr N and Mrs B complain that the duration of the fixed interest rate product they took with National Westminster Bank Plc is not as long as they wanted.

What happened

In August 2022, Mr N and Mrs B applied for a mortgage with NatWest. The application was unable to go ahead because of a technical error by NatWest.

When Mr N and Mrs B complained, NatWest paid them £300 compensation and said it would honour the interest rates available in August 2022, providing a new mortgage application was submitted by February 2023.

In 2023, Mr N and Mrs B submitted a new application. They chose a “*2 year fixed (purchase) – a fixed rate of 3.59% until 31/12/2024*”. They are unhappy that they do not get the fixed rate for the same duration as if they’d taken the mortgage in August 2022.

The investigator thought what NatWest had offered to resolve the original complaint was fair. But it had done what it had agreed to do by allowing Mr N and Mrs B to take a product that was available in August 2022. NatWest had paid a further £300 for its handling of the 2023 application – that was also fair.

Mr N and Mrs B did not accept what the investigator said.

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’m satisfied that NatWest’s offer of £300 and to honour the interest rates available in August 2022 was a fair way to settle the original complaint. But the focus of this complaint is that when putting that redress in place, NatWest has not actually honoured the interest rate that was available in August 2022. The duration of the fixed interest rate is not as long as Mr N and Mrs B expected – they want it to last for 28 months as it would have had they taken it in August 2022.

I think there has been some avoidable confusion here. In NatWest’s original final response it said it would “honour the interest rates” available in August 2022. I can see how Mr N and Mrs B could have understood that to mean that they would get the fixed interest rate for at least two years. But I don’t think that is what NatWest meant – and I don’t consider it would be fair or reasonable for me to say that NatWest should give Mr N and Mrs B what they wanted. I will explain why.

When NatWest said it would honour the interest rates available in August 2022, it meant not just the interest rate itself but the terms attached to it. So it has given Mr N and Mrs B the interest rate product that was available in August 2022. That fixed rate would always end in December 2024.

NatWest has offered Mr N and Mrs B a choice of the interest rate products that were available. I have not seen any evidence that there was any fixed rate of 3.59% that would run for over two years from the date they took the mortgage. In the circumstances I don't think it would be fair for me to say that NatWest should create a new product just for Mr N and Mrs B.

The correct position was that NatWest allowed Mr N and Mrs B to choose from the products available in August 2022 – but the products would end on the same date.

So the options available to Mr N and Mrs B would have been to take:

- the fixed rate of 3.59% that ended on 31 December 2024;
- another product available in August 2022 but also with a shorter duration than would have been available had the mortgage been taken in August 2022; or
- an interest rate product that was available when they took the mortgage out in 2023.

There was some volatility in the mortgage market in autumn 2022. There were also increases in the Bank of England base rate. That meant by the time Mr N and Mrs B went ahead, mortgage interest rates had gone up. So even if Mr N and Mrs B had been given clearer information, their choice would have been between the rate they took, with the December 2024 end date or another more expensive interest rate available in 2023.

While I appreciate the time pressure Mr N and Mrs B were under, the mortgage offer set out the end date of the fixed rate product in a clear and fair way and they accepted the terms of the offer – including the fee. Overall I see no reason to say that NatWest should extend the fixed rate period on their mortgage or refund the fee.

NatWest has already paid Mr N and Mrs B another £300 for the way it handled the 2023 application. I can see that the time it took and the difficulties Mr N and Mrs B faced would have caused them some avoidable stress and inconvenience over about six weeks. But in all the circumstances, I think £300 was a fair amount to settle the complaint. So I don't consider NatWest needs to do anything else.

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 Mrs B and Mr N to accept or reject my decision before 20 March 2024.

Ken Rose
Ombudsman