

## **The complaint**

Miss H and Mr B complain that Nationwide Building Society gave them poor advice about switching interest rate products when they ported their mortgage. They say they are paying more each month as a result.

## **What happened**

Miss H and Mr B have a mortgage with Nationwide. They contacted Nationwide in March 2022 as they were moving home. Nationwide recommended they port their interest rate products rather than pay an early repayment charge (ERC).

Miss H and Mr B complain that:

- Nationwide failed to take the wider economic circumstances – in particular the risk of interest rate rises – into account in March 2022. They say they'd have been better off paying the ERC and taking out a fixed interest rate product before rates increased.
- They contacted Nationwide when they realised there would be a gap between their sale and purchase completing. Nationwide said they could port on a non-simultaneous basis. It didn't tell them they'd be unable to switch products between their sale and purchase.
- They were given incorrect information and experienced a number of problems when they tried to switch products after porting.
- Interest rates increased during this time, and they're now paying about £200 per month more than they should be.

Nationwide said it had given Miss H and Mr B correct information. As an apology for any confusion about when their products would expire it paid £250 and said it would allow Miss H and Mr B to adjust the start date of their new products.

Our investigator said Nationwide had given Miss H and Mr B correct information and its offer was fair.

Miss H said while the advice in March 2022 could have been better, she accepted it was their decision to go with the advice. But she said they'd have acted differently if they'd been given correct information about the implications of porting when there's a gap between the sale and purchase. She said they'd have paid the ERC and taken out a new product.

## **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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

When Miss H and Mr B spoke to Nationwide in March 2022, they had two active mortgage products. One was due to expire on 30 September 2022 (this applied to about £155,000) and the other was due to expire on 21 December 2022 (this applied to about £9,000). Miss H and Mr B also wanted to take out additional borrowing, for which they'd need a third product.

I've listened to Miss H and Mr B's call with Nationwide in March 2022. Miss H asked whether they could pay off the existing mortgage and start again or if they'd be charged. Nationwide said there was an ERC, but they could still redeem the mortgage and pay the ERC. Miss H said she'd looked at the ERC and paying it was "pointless".

Later in the call, the adviser said there were two options. They could port the existing products and take out a new product for the additional borrowing. Or they could pay the ERC. The adviser said it wasn't cost effective to pay the ERC. The adviser said Miss H and Mr B would need to look into taking out new products in September/October 2022.

The five-year fixed rate Miss H and Mr B chose in March 2022 had a higher rate than their existing product for the larger part of their existing mortgage. And they'd have had to pay an ERC of about £1,500 to exit this product.

However, interest rates increased during 2022 and the products available to Miss H and Mr B later in 2022 had higher rates. With hindsight, it might have been better for Miss H and Mr B to switch products in March 2022 despite the higher interest rate and the ERC. But Nationwide couldn't have told them that in March 2022 because it didn't know how interest rates would change in future. Nationwide could only advise Miss H and Mr B based on what it knew at the time. It told Miss H and Mr B they had the option to pay the ERC and switch products. Miss H and Mr B knew this was an option if they were concerned about interest rates going up.

Miss H and Mr B told Nationwide their purchase would complete in June 2022. The purchase was delayed. Nationwide said they could port with a gap between the sale and purchase. Miss H and Mr B say if Nationwide had explained the implications of this they'd have acted differently and switched products.

I'd expect Nationwide to provide correct information in response to Miss H and Mr B's questions about porting. But I don't think I can fairly find that Nationwide should have tried to set out all possible implications of porting, especially as this would have been a non-advised call. And I think it's unlikely it would have changed the outcome if it had done so.

Nationwide allows customers to switch products without paying an ERC within three months of the date the product is due to expire. Miss H and Mr B sold their property and repaid the mortgage in mid-June 2022. This was before they'd have been able to switch products without paying an ERC.

Miss H and Mr B couldn't switch products after they'd repaid their mortgage in June 2022. This was because their mortgage account was closed. Their purchase and new mortgage completed in mid-August 2022.

Where a product has been ported Nationwide doesn't allow switching until the first monthly payment had been made. Here, that was 6 September 2022.

Where a product is ported and there's a gap between the sale and purchase, Nationwide adds this to the product term. This meant Miss H and Mr B's products expired two months later than their original date. The product that applied to the larger part of their ported mortgage expired on 30 November 2022. So they could exit this product without paying an ERC from early September 2022.

While Miss H and Mr B didn't know all this at the outset, I don't think I can fairly and reasonably find they'd have acted differently if they had. They still wouldn't have been able to switch products between mid-June 2022 and 6 September 2022. And given that Miss H and Mr B didn't decide to pay the ERC and switch products in March 2022, I'm not persuaded they'd have decided to do so before mid-June 2022.

Miss H and Mr B say their hands were tied between June 2022 and September 2022. I don't think that's right. If they were happy to pay the ERC (or accept that it wouldn't be refunded) they could have asked Nationwide about changing the products in the mortgage offer or re-applying with new products. The mortgage adviser told Miss H and Mr B towards the end of the March 2022 call that they could ask for changes to the mortgage offer, although there was no guarantee Nationwide would agree to issue a new offer with the change.

So far as I can tell from the available evidence, when they became aware their purchase was delayed, Miss H and Mr B asked Nationwide if they'd still be able to port. I'd expect Nationwide to give correct information in response to this question – which I think it did. I don't think it's reasonable to say that Nationwide should have offered Miss H and Mr B advice about all the possible implications of this, or suggest they change products. If Miss H and Mr B wanted further or updated advice, they'd have needed to ask for an appointment with a mortgage adviser.

It must have been frustrating for Miss H and Mr B to keep being given a new reason why they couldn't yet switch products. Miss H says she was given inconsistent information about the expiry date of their products and whether this was extended as a result of the gap between their sale and purchase. Miss H and Mr B were worried about going onto Nationwide's standard variable rate.

After porting Miss H and Mr B took out new products, with interest rates higher than their previous products. They asked for these to start when their previous products were originally due to expire. This meant they missed out on the benefit of the lower rates for two months.

Nationwide paid £250 to Miss H and Mr B as an apology for their upset and confusion about the expiry date for their products and the delay in responding to their complaint. It also offered to cancel or adjust the start date for their new products. If they haven't already done so, Miss H and Mr B will need to contact Nationwide if they want to do this. Before deciding they could consider whether to take advice as to whether this would be beneficial.

### **My final decision**

I think the offer made by Nationwide Building Society is fair and reasonable in the circumstances. It's already paid £250. It should cancel or adjust the products Miss H and Mr B took out after porting, as it offered to do, if Miss H and Mr B confirm this is what they want to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss H to accept or reject my decision before 1 November 2023.

Ruth Stevenson  
**Ombudsman**