DRN-4405630

The complaint

Ms C's complaint is about mortgage advice she was given by Nationwide Building Society in 2018. Ms C says that she was wrongly advised to extend her mortgage term in order to take out a five-year fixed interest rate product. Ms C says that this resulted in her paying more interest than if she'd kept the original term, taken out a three-year fixed rate and then moved onto Nationwide's Standard Mortgage Rate (SMR) rate in 2021.

To settle the complaint Ms C wants to be put back in the position she'd have been in if she'd taken out the three-year fixed rate.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Ms C being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Ms C had a mortgage with Nationwide. In December 2018 the mortgage had four years and eight months left to run, with a balance of approximately £34,750. After discussing her mortgage with Nationwide, Ms C extended her mortgage term from its original end date of August 2023 to end in December 2023, and took out a five-year 2.09% fixed rate product, due to end in December 2023.

In April 2023 Ms C complained that this was the wrong advice. Ms C said that she should have been recommended a three-year fixed rate product, thereafter moving onto SMR. Ms C said that, if this had happened, she'd have paid less interest than she was paying on the five-year product.

Nationwide didn't uphold the complaint, noting that the advice had been documented to show that Ms C had preferred a five-year fixed rate, and that she'd been made aware that, by extending the term, her repayments would be fixed to the end of the term. Nationwide also noted that the new product had no fee and also provided cashback of £200.

Dissatisfied with Nationwide's response, Ms C brought her complaint to our service where an Investigator looked at what had happened. He didn't think Nationwide had done anything wrong and was satisfied the advice had been suitable.

Ms C didn't agree and asked for an Ombudsman to review the complaint. She's made some further points, which I summarise below.

- Nationwide had failed to explain to her what amortization meant, and this is very significant, because the level of rising interest on her repayments would have been less significant closer to the end of the term, when she'd have been paying mostly capital;

- what is important is her incomprehension of the nature of the mortgage she was on, and the failure of the mortgage adviser to point this out before she made any decision;
- she had been unable to make an informed decision because of her lack of understanding of amortisation;
- a three-year fixed rate would have left her with one year and eight months of her mortgage to repay, and, give the process of amortisation, meant that the interest proportion of her payment would have substantially reduced even further;
- the decreasing balance would have meant she was *"more protected from the fluctuations of rising interest rates on monthly repayment figures than a person who had only recently taken out a mortgage and for whom interest was a much greater part of the monthly repayment"*;
- the five-year mortgage recommended added £2,000 to her mortgage repayments.

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.

Having done so, I'm not upholding the complaint. These are my reasons.

Ms C's argument is that, if she'd switched to a three-year fixed rate in December 2018, and then moved onto Nationwide's SMR, with her mortgage term ending in August 2023, she'd have paid less interest than she has done on the five-year fixed rate with the term extended to December 2023. Ms C has provided no calculations in support of her argument, nor said what three-year fixed rate she'd have taken out.

I understand Ms C's argument – that, because she was repaying mostly capital rather than interest as the term of the mortgage drew to an end, the interest rate increases would have had a minimal effect on her. As a result, Ms C considers that extending the term – with the additional extra four months' payments she made on the extended term – was not in her best interests.

I can see from the discussions Ms C had with Nationwide in December 2018 that her concern was for stability of payments, and the advice given to extend the term and take out the five-year rate achieved that aim. Although Ms C says now that a three-year fixed rate followed by SMR would have been more suitable for her, I'm not persuaded this is correct.

If Ms C had taken a three-year fixed rate (which she now says would have been better for her) she'd have reverted to Nationwide's SMR in January 2022. At that time Nationwide's SMR was 3.59%, but this increased over the following months as follows:

1 Feb 2022	3.74%
1 Mar 2022	3.99%
1 Jun 2022	4.24%
1 Jul 2022	4.49%
1 Aug 2022	4.74%
1 Sep 2022	5.24%
1 Nov 2022	5.74%

1 Dec 2022	6.49%
1 Feb 2023	6.99%
1 Mar 2023	7.49%
1 May 2023	7.74%
1 July 2023	7.99%

Because SMR has varied twelve times since January 2022, it's not been possible for me to calculate the exact amount of interest Ms C would have paid if she'd taken out a three-year product and then gone onto SMR. There is no doubt that by fixing her interest rate over a five-year term, Ms C was protected from future interest rate increases.

Given the increases in SMR from January 2022 onwards,, I'm not persuaded Ms C has suffered any financial detriment by being on the five-year fixed rate. Furthermore, Ms C hasn't provided any evidence to support her argument that she's paid more over the five-year fixed-rate term than she would have done on a three-year fixed rate followed by 20 months at SMR.

Total payments on the 5-year fixed rate were £36,620.74.

Online archives show that in December 2018 Nationwide had a 2.09% three-year fixed rate product. If this had been taken out over a 56-month term, it would have required payments of £651.83 per month over 36 months, so a total of £23,465.88. This would have left a balance of just over £12,800 at the end of the three-year period, at which point the mortgage would have moved onto SMR.

Using an online amortisation calculator, I have carried out a manual calculation of how the fluctuations in SMR would have affected a notional account balance of £12,800 if the mortgage had moved from a three-year fixed rate to SMR in January 2022. I have calculated that, over the remaining 20 months of the term, Ms C would have made payments totalling approximately £13,359.17, of which £558.40 would be made up of interest.

Therefore, if Ms C had taken a three-year fixed rate of 2.09% with the remaining term of 20 months at SMR, she would have paid in total £36,825.05.

Given this, I'm satisfied that, by taking out the five-year fixed rate Ms C has paid £204.91 less than if she had taken out a three-year fixed rate with the remaining 20 months of the term on SMR.

In all the circumstances, therefore, I'm satisfied that Nationwide's recommendation to take out the five-year fixed rate mortgage was suitable. I hope I have set Ms C's mind at rest that she has not suffered any loss or detriment by taking out the five-year fixed rate mortgage.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 22 April 2024.

Jan O'Leary
Ombudsman