

The complaint

Mr and Mrs Z complain about misleading advice they were given by National Westminster Bank Plc about their remortgage. They say if they'd been given the correct advice sooner about the effect of a two-part mortgage, they'd have secured a better rate elsewhere.

What happened

Mr and Mrs Z said they got in touch with NatWest about remortgaging in early August 2022. They had two separate parts to their mortgage, one of which was ending on 31 December 2022, and the other on 30 April 2023. Mr and Mrs Z said NatWest told them they could reserve a rate for the first part of their mortgage online right away, but they couldn't reserve a rate for the second part until October. Or they could pay the Early Repayment Charges ("ERCs") on both parts right away, and take out a new rate now.

Mr Z said he went online, and reserved a rate of 3.39% for the first part of his mortgage, which was due to start in January. He also booked the first available appointment with a NatWest mortgage advisor for 28 September.

Mr Z said when he eventually spoke to the advisor, they told him that because the first part of his mortgage had a switch in progress, he couldn't fix any rate for the second part. He would have to wait until the first switch was entirely completed, in January, before he could even reserve a rate for the second part. NatWest said this was an unfortunate limitation on its systems, it can't allow two mortgage applications to be running at the same time – even when those applications are to fix new rates on two parts of the same existing mortgage.

Mr Z said he initially thought he might pay the ERC for both parts of his mortgage, so he could secure the rate NatWest was offering then. But when he called back, he found that the advisor he'd spoken to was out of the office for a few days, and no one else could help him. Mr Z said he was worried rates would go up again, so he sought a mortgage elsewhere.

Mr Z said he was quickly able to secure a mortgage with a different lender, which started in early January. That meant he only had to pay the ERC on one part of his mortgage. Mr Z said he'd got a rate of 4.43%, fixed for 5 years, running until 30 November 2027. But Mr Z said if he'd got the right advice from NatWest sooner, he could have got a much lower rate.

Mr Z said NatWest had paid £400 for inconvenience and £100 for the delay in processing a reply to his complaint. Mr Z said he appreciated that, but he'd still like us to look into this for him, because he thought the delay in getting the right advice from NatWest might cost him over £7,000 more in total, spread over the five years his rate was fixed.

NatWest said it had booked Mr Z the first available appointment with an advisor, when he called in early August. It said it had confirmed Mr Z could reserve a rate for the first part of his mortgage right away, then reserve a rate for the second part at the end of October 2022, six months before the deal on that part ended. NatWest said it could see Mr Z did then reserve the rate for the first part, so it thought he'd intended to treat the two parts of the mortgage separately.

NatWest said that on Mr Z's booked appointment, its mortgage advisor then explained that Mr Z couldn't book a rate for the second part of his mortgage until early January, after the first part had completed. And NatWest had recently made a change to the deal-breaking process, which meant that he would have to break both parts of his mortgage (paying the ERC on both parts) if he wanted to book a new rate right away.

NatWest said it was sorry Mr Z had decided to move this mortgage elsewhere. And it said it was unfortunate that NatWest had changed its deal-breaking arrangements after Mr Z spoke to it in early August, and before he had his advisor appointment in late September, but NatWest said it is entitled to change these processes.

NatWest said it accepted its mortgage centre agent could have done more in explaining the potential system limitations, given Mr Z's intended plans. The agent didn't explain that applying online for one part would delay a second application. So NatWest paid Mr Z £400 for the inconvenience, and £100 for a delayed reply to his complaint.

Our investigator thought this complaint should be upheld. He thought if Mr Z had been properly advised in August, he'd have decided then to break the deal on both the parts of his mortgage, and take the rate NatWest had available at the time. So he said NatWest should pay Mr and Mrs Z the difference in the payments under the rate they were paying now, and the rate they could have secured with NatWest in August.

NatWest didn't agree. It said Mr and Mrs Z couldn't have got the NatWest rate in August, because they would have needed to have an appointment with an advisor before they could break out of their existing mortgage deal and take a new deal with NatWest. So they would always have had to wait until the next available appointment, which was at the end of September, and the best rate they could have secured would be the one available then.

And NatWest said that meant it thought the issue of the system limitation (allowing only one application at any one time) not being explained on 6 August was really a red herring.

Our investigator then changed his mind, and said NatWest should pay the difference between the payments under Mr and Mrs Z's current rate, and the rate they could have secured in September.

NatWest still didn't agree. It said it had listened to all the calls, and didn't think Mr Z had been wrongly advised. It thought it was unfortunate that Mr and Mrs Z had two separate products on their mortgage each with different expiry dates, and this caused complications in what they were trying to achieve. But NatWest said that wasn't a bank error. It said Mr and Mrs Z had just chosen to go elsewhere.

Because no agreement was reached, this case was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I do think Mr Z was misadvised on the first call he had with NatWest. He was clear that he had two parts to his mortgage, which were both ending soon, but not at the same time. The end dates for each were confirmed by the advisor. During the discussion, Mr Z said he was thinking of booking a new rate for the first part of the mortgage now, then reserving a rate for the second part on 30 October. The advisor confirmed this was possible, which it wasn't, because of the system limitations with NatWest.

The advisor should have told Mr Z that he could reserve a new rate now for the first part of his mortgage, but he'd then need to wait until the start of January before he could reserve a new rate for the second part. Once he'd started an application to change the rate for part one of his mortgage, NatWest's system limitation meant he would have to wait for that to complete, at the end of December, before he could do anything to make changes to the second part, including reserving any rate.

For the avoidance of doubt, I don't agree with NatWest that the wrong advice on the issue of its system limitation on this call was a red herring. Mr Z's plans at this time do seem to me to have been based on the assumption that his applications for new rates on these two parts of his mortgage could overlap. And NatWest says they can't.

Having listened to this call, I think that Mr Z was very much alive to the likelihood of rates increasing again, and potentially quite substantially. So I think if he'd been properly advised about NatWest's system limitation at this point, he would also have been advised he could break out of both of his existing mortgage deals, paying the relevant ERCs, but he'd need an appointment with an advisor to do that, and he couldn't have that appointment until the end of September.

If Mr Z had been properly advised, then following this, I think it's likely that Mr Z would have done exactly what he later did – contacted a different lender, and secured a rate for 4 January, so he only needed to pay an ERC on one part of the two-part mortgage with NatWest. But, as Mr Z said, he'd have then secured a lower rate.

I've contacted the lender that Mr and Mrs Z successfully applied to at the start of October. I think it's reasonable to assume that any earlier application by Mr and Mrs Z with this lender, in August 2022, would also have been successful.

That lender has confirmed that Mr Z could have reserved a rate to remortgage on 4 January, as early as 6 August. But if he had contacted it then, Mr Z would have been able to secure a rate of 3.41% over five years. Mr and Mrs Z are now paying 4.43%.

For that reason, I think that NatWest should work out the difference between the payments Mr and Mrs Z will make on their current borrowing, fixed at 4.43% until 30 November 2027, and the payments they would have made, on a rate of 3.41%, fixed until the same date. NatWest should then pay Mr and Mrs Z this amount, as a lump sum, minus the amount of £400 which it has already paid Mr and Mrs Z for this complaint.

I think it's reasonable to allow NatWest to deduct from this lump sum, the payment it has already made for the upset that having a higher rate caused Mr and Mrs Z, now that they are going to be reimbursed the extra costs of that rate. But I don't think NatWest

can also deduct the payment of £100 it made because it delayed in responding to Mr and Mrs Z's complaint.

I currently think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

NatWest responded to ask for information on the mortgage Mr and Mrs Z took out when they redeemed their mortgage with NatWest. Our investigator sent information to NatWest, and it replied to say it accepted my provisional decision.

Mr Z also responded, to say he agreed too, and he appreciated the investigation our service had carried out.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that National Westminster Bank Plc must work out the total difference between the payments Mr and Mrs Z will make on their current borrowing, fixed at 4.43% until 30 November 2027, and the payments they would have made instead, on a rate of 3.41%, fixed until the same date. National Westminster Bank Plc must then pay Mr and Mrs Z this amount, as a lump sum, minus the amount of £400 which it has already paid Mr and Mrs Z for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Z and Mr Z to accept or reject my decision before 28 November 2023.

Esther Absalom-Gough
Ombudsman