

The complaint

This complaint is about a mortgage Mrs and Mr M hold with National Westminster Bank Plc (NatWest). Mrs and Mr M complain that NatWest told them in writing it had agreed to switch their mortgage to interest-only for six months, only to then tell them on the phone that they weren't eligible. Mrs and Mr M say this has made their financial situation far worse than it was before.

What happened

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Instead I'll give a brief summary and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

In July 2023, Mrs and Mr M applied for a six-month interest-only concession under the Mortgage Charter. On 17 July 2023, NatWest issued a letter agreeing to the concession, and included details of the monthly payment due under the concession. Almost immediately, NatWest realised it had made a mistake; Mrs and Mr M weren't eligible for the concession as the mortgage was currently in arrears. It spoke to Mr M on the phone on 19 July 2023, at which point the letter had yet to arrive in the post.

During the call, NatWest explained that Mrs and Mr M would need to clear the arrears before they could be eligible for the interest-only concession, and Mr M acknowledged this. However, when Mrs and Mr M made their next payment, on 27 July 2023, it was the interest-only amount quoted in the 17 July 2023 letter. They did the same in August 2023. On 1 September 2023, the fixed interest rate product on the main part of the mortgage came to an end, and the rate being charged increased from 2.04% to 7.74% variable. The variable rate increased again on 1 October 2023 to 7.99%. The interest rate on a smaller sub account remained at 5.39%.

NatWest accepted it had sent the 17 July 2023 letter by mistake, but pointed out that it had corrected its mistake and explained the true position to Mrs and Mr M even before they'd received the letter. It initially offered £250 compensation for the trouble and upset it had caused, but later increased this to £378.19. This higher figure corresponded to the difference between what Mrs and Mr M should have paid in July 2023 and what they did pay.

Mrs and Mr M didn't accept NatWest's offer and referred their complaint to this service. They say that their situation is now far worse than it was before NatWest's mishandling of their request to switch to interest-only. Our investigator thought NatWest had made a reasonable offer to resolve the complaint. Mrs and Mr M have asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the

Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we work within the rules of the ombudsman service and the remit those rules give us. We don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

NatWest clearly made an error here, but it's important to be clear about what the error was. It wasn't to deny Mrs and Mr M the interest-only concession; they weren't eligible for that because they had existing arrears on their mortgage. NatWest's error was to send the letter of 17 July 2023 offering the concession when it should not have done so.

Where a business makes an error, the general approach this service takes is to order the business to restore the consumer as much as possible to the position they'd be in if the error hadn't been made. But I don't need to do that here, because NatWest has already done so. In fact, it had restored the correct position even before Mrs and Mr M had received the letter informing them of the incorrect position.

I've listened to a recording of Mr M's conversation with NatWest on 19 July 2023. Having done so, I'm satisfied NatWest had made it clear that they would need to make the existing July 2023 payment and clear the arrears in order to be eligible for the concession, and that if they could do that, they'd then have to apply again in early August 2023.

The call handler didn't expressly tell them there was a letter on its way that they should ignore because it was a mistake. It would have been good practice for NatWest to do this. In my view, the omission to do so warrants the offer of compensation it made in its final response of 20 September 2023, but nothing more than that.

It seems to me that when Mrs and Mr M then received a letter that was dated two days *before* the conversation, saying something completely different from what they'd been told on the phone, the sensible thing to do would have been to contact NatWest for clarification. Rather than do that, Mrs and Mr M proceeded to pay the interest-only amount, not just in July 2023 but in August as well.

If Mrs and Mr M had contacted NatWest to clarify what the letter said, there's a reasonable likelihood that things could have been sorted out, and a plan agreed to bring the arrears up to date, before the existing fixed rate expired on 31 August 2023. But as things stand, I can't fairly conclude that Mrs and Mr M's current financial situation flows from NatWest sending out the 17 July 2023 letter by mistake.

My final decision

My final decision is that a fair settlement is for National Westminster Bank Plc to credit £378.19 to Mrs and Mr M's mortgage account in full and final settlement of this complaint. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr M to accept or reject my decision before 9 July 2024.

Jeff Parrington
Ombudsman