

The complaint

Mr C complains that Nationwide Building Society prevented him accessing his mortgage account which meant he lost out on taking a new interest rate.

What happened

Mr C had a mortgage with Nationwide. He was coming to the end of a fixed rate of 1.34% and wanted to arrange a new rate. He went online but says he was unable to access his mortgage account.

Mr C then called Nationwide. He says it told him to visit a branch. The branch then told him that his account profile had been changed from an individual account to an organisation account. This meant he couldn't manage his mortgage online or make changes over the phone. He says the branch told him that there would need to be an investigation and someone would get back to him. He says that Nationwide told him it would cover any losses he incurred as a result.

When he didn't hear anything, Mr C says he tried to contact Nationwide again without success. In the end, he gave up and moved his mortgage to another lender.

Mr C complained. He said that as a result of these problems he had lost out – firstly because he was on the standard variable rate (SVR) for six months while waiting for a resolution, and secondly because when he re-mortgaged he was only able to secure a new interest rate of 1.69% rather than the 1.19% Nationwide had available when he first tried to apply.

Nationwide said Mr C hadn't taken any action or contacted Nationwide to explain he was still having problems from January 2022 until he moved his mortgage elsewhere six months later. It said it was up to Mr C to apply for a new rate – if there were problems, he didn't give it the chance to resolve them before moving elsewhere.

Our investigator found that there was an issue with Mr C being able to switch to a new interest rate. But she thought that it wouldn't be fair to require Nationwide to pay him compensation for lost interest – she said Nationwide should pay £300 compensation for distress and inconvenience. Nationwide accepted that but Mr C didn't.

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 think it's clear there was an issue on Mr C's mortgage which was preventing him selecting a new interest rate. That was set out in particular in two calls he had with Nationwide in January 2022 – both of which I've listened to. And, more recently, at our prompting, Nationwide has carried out further investigation and confirmed there is a known system issue, which resulted in Mr C's customer profile being changed from an individual to an organisation profile.

This meant he had difficulty passing security when contacting Nationwide (because standard security information such as date of birth isn't on an organisation profile), or logging on to Nationwide's website. And it meant he couldn't make changes to his mortgage because an individual residential mortgage was incompatible with the borrower being recorded as an organisation. However, Nationwide's evidence is incomplete and contradictory about exactly when this happened or what the impact on Mr C being able to take a rate switch was. It's suggested that the error was in place since 2019, and that he wouldn't have been able to take a rate switch or even log into his account while it was in place – while at the same time suggesting he did log in and select a rate without completing the application on 13 January 2022.

Mr C spoke to the same staff member on two occasions on 13 and 14 January 2022. I think this staff member was trying to help Mr C, but evidently hadn't come across this problem before and didn't know how to resolve it. He spoke to other teams internally who couldn't help either, and eventually suggested Mr C visit a branch, as a branch might have different access and be able to resolve the problem. In fact, that wasn't the right advice – there was a specific internal team the staff member needed to contact, but it seems that didn't happen because the staff member didn't know this and wasn't told it by those he consulted.

Mr C then visited a branch, but the branch couldn't help him either. The branch staff member he spoke to said they would make further enquiries and get back to Mr C.

There's a dispute about what happened next. The branch staff member says that they left a voicemail message for Mr C. Mr C says he received no further contact. But in any case, there was no further action taken for around six months, when Mr C moved his mortgage to another lender.

I'm satisfied that there was an error with Nationwide's systems, which meant that Mr C couldn't take a new interest rate. Even if he wasn't completely locked out of its website, it's clear from his conversations at the time that he couldn't complete a rate application – and it's clear that, at that time, there was a problem which the Nationwide staff members he spoke to didn't know how to resolve.

I'm therefore also satisfied that, as a result, Mr C was prevented from taking a new interest rate on his mortgage at this time.

Putting things right

I therefore need to consider what Nationwide needs to do to put things right. Having thought about this very carefully, I'm not persuaded that it needs to pay him compensation for financial loss.

There are two key reasons for this. Firstly, I don't think Mr C took steps to mitigate his losses. He might have been expecting further contact from Nationwide after his branch visit in January – but even if he wasn't left a message, as Nationwide says, I'd have expected him to have followed it up. But Mr C didn't do that. He says he tried to contact Nationwide, but I've not seen any evidence of further contact. It seems Mr C took no action, remaining on the standard variable rate for six months until moving to another lender.

Secondly, and most importantly, I'm not persuaded that Mr C has suffered a financial loss in any case. He's said he wanted to take a 1.19% interest rate in January, but ended up on 1.69% with his new lender.

We've asked Mr C for details of his new mortgage. He hasn't provided full details, but has shown us a screenshot showing he's on a 1.69% fixed rate – though the screenshot doesn't

show further details such as the length of the rate or any product fee.

However, Mr C told Nationwide on the 13 January 2022 phone call that at that time he wanted to take a tracker rate, not a fixed rate. Nationwide had a two year tracker rate available at that time, at a margin of 0.94% over Bank of England base rate – giving an interest rate of 1.19%. I think it's likely that's the rate Mr C had in mind.

Therefore, if nothing had gone wrong, Mr C would have taken this tracker rate in January 2022 instead of the fixed rate he ended up taking six months later. But if that had happened, he would have been worse off. Although the starting rate of the tracker rate was lower, at 1.19%, it would have increased significantly over the next two years as Bank of England base rate also rose – to its current high of 5.25%, where it's been since August 2023.

So between January 2022 and January 2024, during the life of the two year fixed rate, Mr C's interest rate would have risen from 1.19% to 6.19%. This means he'd have paid much more interest overall by taking a tracker rate with Nationwide in January 2022 than he ended up paying by taking what started out as a slightly higher fixed rate a few months later. Because he'd have paid much more interest if nothing had gone wrong and he'd stayed with Nationwide taking a tracker rate, it follows that Nationwide's system error has actually left Mr C better off than he would otherwise have been and there's no financial loss that Nationwide should fairly pay.

However, I do think that the system error caused Mr C upset and frustration in January 2022, alongside the inconvenience of an unnecessary visit to a branch. There was a fix, but Nationwide didn't implement it. It's fair that Nationwide compensates him for the upset and inconvenience he was caused. I agree that £300 is fair in all the circumstances. That reflects the fact this was an inconvenience, causing some disruption and waste of time as well as frustration, but over a relatively short period. Nationwide agreed with the investigator's recommendation in this respect, and I agree too.

My final decision

My final decision is that Nationwide Building Society should pay Mr C £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 May 2024.

Simon Pugh
Ombudsman