

The complaint

Mr P's complaint is about an application for a new mortgage and port of an existing interest rate product with National Westminster Bank Plc (NatWest) in 2023. He is unhappy that NatWest stopped communicating with him at a certain point in the process and he had to source a mortgage elsewhere, incurring an early repayment charge. In settlement of the complaint, Mr P wants this charge refunded and compensation for the higher interest rate he's paying on a proportion of his mortgage.

What happened

At the beginning of 2023 Mr P had an existing mortgage with NatWest. It had a five-year fixed interest rate product attached to it which had been added by Mr P, on a non-advised basis, in 2021. If the mortgage was paid off before the end of the product term, an early repayment charge (ERC) was payable.

Mr P discussed his plans to move with his premier banking manager (PBM) in January 2023. He wanted to move and port the existing interest rate product in order to avoid paying the ERC. There were discussions about the possibility of the product being transferred to a mortgage with another lender in the NatWest group, but it was confirmed this was not possible toward the end of January 2023.

Mr P then decided to apply for the new mortgage with NatWest. He was told in an email dated 1 February 2023 that what he wanted was outside NatWest's policy, but the PBM would try to assist him and asked Mr P for some further information he needed to be able to try to do so. NatWest has confirmed Mr P provided the information a few days later. Mr P then didn't receive any further communication from the PBM, even following him chasing for a response. He's confirmed that at this point he decided to move ahead with one of the alternative applications he'd started with other lenders. NatWest charged the ERC when the mortgage with it was repaid in April 2023.

Mr P complained about the poor service he'd received and asked that the ERC be refunded. He also added that when he had taken the fixed product in 2021 he'd wanted to change the mortgage to an offset arrangement, but had been unable to do so because of an issue with the nature of the property. Mr P said that had he been allowed to move back to an offset mortgage, it would have been penalty free to repay in 2023.

NatWest responded to Mr P's complaint in letters of 15 May and 15 June 2023. NatWest confirmed there had been some delays in its dealings with Mr P, apologised and paid him £250 compensation in this regard. However, as no mortgage application was made or offer issued, there was no guarantee that lending would have been agreed, and so it would not refund the ERC that had been paid. In relation to Mr P having wanted to change to an offset mortgage arrangement in 2021, NatWest highlighted that lending criteria changed from time to time, and his property hadn't meet its criteria at that time. It didn't consider it had forced Mr P to take out a new interest rate product in 2021 and so could not be held responsible for the ERC being incurred.

Mr P was not satisfied with the responses and referred his complaint to this Service.

One of our Investigators considered Mr P's complaint, but he didn't recommend that it be upheld. He considered that there was a loss of expectation created by the administrative errors on NatWest's part, but the £250 it had paid Mr P was sufficient to compensate him.

Mr P didn't accept the Investigator's conclusions. He said that he didn't know, nor should he have known, that no application process had been started. He highlighted that in support of what he believed to be an application, he had provided additional information which was 'abnormal and extensive'. So he didn't understand how he would be expected to conclude that no application was in progress.

The Investigator considered what Mr P had said. He highlighted that if an application had been made Mr P would have met with a mortgage adviser and been issued with a decision in principle and a suitability letter, explaining the adviser's recommendation. The Investigator remained satisfied that no mortgage application had been made and he didn't change his conclusions.

Mr P made further comments about the application process and reiterated the consequences of him not having been given a mortgage by NatWest. The Investigator didn't change his conclusions and Mr P asked that the complaint be referred to an Ombudsman.

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 has acknowledged that its service on the matter of Mr P's prospective mortgage fell short of what it should have been. As such, I don't need to consider whether NatWest was at fault, and this decision will focus on what, if anything, NatWest needs to do.

NatWest, like many lenders, will complete a basic assessment of a potential application to see if there are any obvious reasons it will not succeed, in order to save the applicant the time and effort of going through the process just to be rejected. It would appear Mr P may have had experience of this process in 2021 when he was told he would not be able to re-mortgage to an offset mortgage because of an issue with the build type of his property.

Following initial discussions Mr P was told the mortgage he wanted fell outside of NatWest's policy – meaning that an application would be rejected. However, the PBM said he would try to have an exception made for Mr P if he provided further information about his financial position. Mr P did so, and this is where NatWest appears to have dropped the ball. It has said the 'appeal' was submitted to the relevant department, but it was not responded to. Hence the PBM did not go back to Mr P with an answer about whether an application could proceed. This was clearly not acceptable service.

There has been much discussion about whether Mr P would have known that no formal application had been made and he has said he had no way of knowing that it hadn't. However, I note that Mr P had applied for at least two mortgages with NatWest prior to his interactions with it in 2023 and so would have been aware of the documentation provided when a mortgage application was submitted. So I think Mr P could reasonably have known that a formal application had not been made as he had been given no documentation and not even an application number. In addition, as I have noted above, it appears that Mr P was likely told in 2021, with no application being made, that he could not proceed with an application. So again, it seems likely that he would have known that NatWest completes an initial assessment of potential applications to see whether they were worth submitting before that happens.

As such, I am satisfied that Mr P most likely knew that an application had not been formally submitted. In order to award the redress Mr P has asked for, I would need to conclude that NatWest would have made an exception to its lending criteria for Mr P and allowed an application to proceed and that it would have accepted that application. It isn't possible to know at this point what would have happened had NatWest considered the 'appeal' and I can't conclude that it is more likely than not that Mr P would have been offered the mortgage he wanted. So I can't reasonably make the award Mr P has asked for.

That said, Mr P's expectations were clearly raised by the PBM saying that it was possible NatWest would allow an application, despite the problems with what he wanted. The lack of communication thereafter would have caused him inconvenience – having to chase a response – and frustration at not receiving that response. As such, a compensation payment is appropriate in the circumstances. NatWest has already paid Mr P £250 and, in the circumstances, I think that is an appropriate and proportionate sum.

Mr P has said that he would not have taken the interest rate product he did in 2021 if it had not been portable. The product Mr P attached to his mortgage was portable, but as with most products, porting was subject to a new mortgage application being made and accepted. As a new mortgage was not arranged with NatWest, the product could not be ported, and it was not unreasonable for NatWest to charge the ERC.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 9 May 2024.

Derry Baxter
Ombudsman