

The complaint

Mr and Mrs R complain that they applied for a two-year fixed rate mortgage with National Westminster Bank Plc (NatWest), but the rate was fixed for less than 24 months. They believe NatWest hasn't honoured the contract they have with it, and they have lost out financially as a result.

What happened

Mr and Mrs R applied for a mortgage with NatWest in early 2022. They did so on the advice of an independent mortgage broker. A mortgage offer was issued on 3 March 2022.

The mortgage offer referred to the product they'd applied for as a "two year fixed". The mortgage completed on 17 July 2022. In July 2023, Mr and Mrs R complained that their fixed rate was ending in April 2024. They said this wasn't two years from the date the mortgage completed. They felt the fixed rate shouldn't expire until July 2022. Mr and Mrs R said they were losing out on three months of the fixed rate.

NatWest didn't uphold the complaint. It said, in summary, that all its fixed rates have a fixed end date, and don't run for a fixed period from the start of the mortgage. NatWest said that in Mr and Mrs R's case, the mortgage offer confirmed that their fixed rate ended on 30 April 2024. NatWest didn't accept it had made a mistake.

Unhappy with this response, Mr and Mrs R referred their complaint to our Service. They said that NatWest hadn't interpreted the contract correctly, and that the mortgage had been mis-sold. Mr and Mrs R also complained at this time about how NatWest had handled their complaint.

One of our Investigators looked into things but didn't think the complaint should be upheld. He said, in summary, the mortgage offer clearly stated when the fixed rate ended and that NatWest wasn't responsible for the suitability of the mortgage as it was sold by a broker. Our Investigator also explained to Mr and Mrs R that complaint handling isn't an activity that our Service could consider.

Mr and Mrs R didn't accept this. They said that the mortgage offer refers to a "fixed number of payments" at the fixed rate, and that NatWest's website explains that a two-year fixed rate would run for two years. They say this information is mis-leading. Mr and Mrs R didn't accept that their mortgage broker bore any responsibility for this complaint.

As agreement couldn't be reached, Mr and Mrs R asked for the complaint to be considered by an Ombudsman. So, it's been passed to me to review and make a final decision.

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.

Promotional interest rates, such as fixed rates, do usually have a fixed end date instead of running for a set period of time from the date of completion. They are commonly referred to by the number of years the mortgage *could* run for within mortgage offers or promotional literature.

This could potentially mean the earlier the product is applied to a mortgage, the longer that customer gets the benefit of that fixed rate product, and vice versa. For example, if the end date of a fixed rate product is 1 December 2024 and Customer A's mortgage completed on 1 November 2022, they would receive 25 months at that interest rate. But if Customer B's mortgage completed on 1 January 2023, they'd have that product for a shorter period of 23 months.

I don't consider it unfair, in isolation, that promotional products have a fixed end date. My understanding is that this forms part of how those products are priced. But the information provided by NatWest about the product should be clear, fair and not misleading at the time the mortgage was applied for.

I've looked at Mr and Mrs R's mortgage offer to determine whether it made the end date of the fixed rate clear. The mortgage offer, under the heading Interest Rate, says:

The product is a 2 year fixed (purchase) - A fixed rate of 1.53% until 30/4/2024

Your loan reverts to National Westminster Bank Pic's Standard Variable Rate, currently 3.99% on 01/05/2024

The mortgage offer refers to this date a number of additional times throughout as well.

Whilst I can understand why Mr and Mrs R may've been confused by this, given that it does refer to the mortgage as a "2 year fixed", I am satisfied the offer makes clear that there is in fact a fixed end date of the fixed interest rate which is 30 April 2024.

Mr and Mrs R have said that one of the statements in the offer, '*This Offer and Mortgage Illustration are prepared on the assumption that the loan will be drawn down on 03/03/2022*', made them believe that the fixed interest rate end date would be updated to reflect the actual date the mortgage completed.

I can appreciate that they believed this, but this is not the case, and I don't draw the same conclusions as them. All mortgage offers assume a start date so that payments and other matters can be set out in an illustration. However, I can't see anything within the mortgage offer that suggests that the fixed rate end date would change if the mortgage didn't complete on the assumed date. Furthermore, as the mortgage was applied for via an independent broker, I would expect the broker to make it clear to Mr and Mrs R when the end date of this particular fixed rate they'd recommended would be and clarify any confusion around this. Mr and Mrs R have also said they consider the mortgage mis-sold. However, any complaint about the suitability of the mortgage is the responsibility of the broker. I can't consider the actions of the broker within this complaint as it's specifically about NatWest's actions.

Mr and Mrs R have also said that the offer says there will be twenty-five payments on the fixed rate, so this is what they should be given. Again, the offer assumes that if the rate was taken on 3 March 2022 there would be 25 payments until 30 April 2024. But as the mortgage completed later than that date, it's reasonable that there would be less than twenty-five payments on that rate available.

I have also considered the information Mr and Mrs R sent us that they found on NatWest's website regarding two-year fixed rates. I am satisfied that this information is intended to

allow customers to compare different mortgage products across the market more easily rather than setting out that its two-year fixed rate will last for exactly two years from the date a consumer completes on their mortgage. It's a general guide, and not specific to Mr and Mrs R's mortgage. That's why they are provided with a personalised illustration and offer which is tailored to their specific circumstances. And, as set out above, I'm satisfied that the offer makes it clear that the fixed rate ends on a specific date.

In summary, I can understand why Mr and Mrs R may've believed that their mortgage would run for two years from the date of completion. However, for the reasons set out above, I don't agree with their interpretation of the offer.

Like our Investigator, I agree that we cannot look into the how NatWest handled Mr and Mrs R's complaint. The rules under which our Service operates are known as the DISP Rules and found in the Financial Conduct Authority Handbook set out that complaint handling is not a regulated activity or an activity we can consider. So, specific complaints about how NatWest manage complaints, can't be considered by our service. This means I haven't considered this point further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 1 July 2024.

Rob Deadman
Ombudsman