

The complaint

Mr and Mrs C complain about the way National Westminster Bank Plc (“NatWest”) has managed their mortgage.

What happened

Mr and Mrs C have a joint mortgage with NatWest. The mortgage is a NatWest One Account offset mortgage. When they got the mortgage in 2008 the mortgaged property was valued at £555,000.

In October 2022 Mr C contacted NatWest. He said he was planning to sell the mortgaged property and he’d had the property valued by the same valuer that had valued the property in 2008. He’d done that so the value could be included in the Home Buyers report that he was obliged to get to sell the property as the property is in Scotland.

The Home Buyers report valued the property at £750,000. Mr C wanted to reduce the interest rate he was paying on the mortgage before the property was sold. He wanted to do that by using the new valuation (in the Home Buyers report) to reduce the loan to value (“LTV”) on his mortgage to 50%. When Mr and Mrs C got the mortgage the LTV was 90%. By doing that Mr C hoped to reduce the interest rate he was paying by 0.6%.

Initially NatWest said it could use the Home Buyers report to reduce the LTV on the mortgage to 50%. But later it took advice and said it had made a mistake. NatWest said:

“If you still wish to be on lowest rate of interest the options are to have a standard valuation which will cost a fee. Or alternatively we can reduce your current facility to 50% of value we held. Your current property value is £555,000 so if facility was to be reduced to £277,500 this would allow you to achieve the lowest passible rate.”

It paid Mr and Mrs C £150 compensation for the inconvenience caused. It also recognised the time taken for it to get the advice (around three months). In its final response letter NatWest said it would be happy to reimburse the interest paid between the date of Mr C’s initial request and its final response letter as a gesture of goodwill. It said it would calculate the money and pay it into the mortgage account.

Mr C didn’t think it was fair that he’d have to get another, standard valuation. He said the valuation in the Home Buyers report was valid and issued by the same valuer that carried out the initial valuation, and he wasn’t re-mortgaging.

Our investigator looked into the complaint. He said there was no dispute that NatWest had made a mistake when it initially told Mr C that he could use the Home Buyers report to reduce the LTV on the mortgage to 50%. He acknowledged Mr C’s frustration about that. However, he said that NatWest’s policy was clear about this matter, so he didn’t think it was fair to say that Mr C had been treated differently to any other customer. In the circumstances, he didn’t think NatWest had to do more to resolve the complaint. He thought the £150 compensation it had already paid Mr and Mrs C was fair and reasonable.

Mr and Mrs C remained unhappy. Mr C asked for their complaint to be reviewed by an ombudsman, so it has been passed to me to decide.

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.

Having done so I've come to the same conclusion as our investigator. I'll explain why.

There's no dispute that NatWest gave Mr C the wrong information when it first told him he could use the Home Buyers report to reduce the LTV on the mortgage to 50%. I understand that Mr C thinks NatWest should stand by that and that he doesn't think it's fair that he should have to pay for another valuation to be carried out. He points out that the valuer he already used was the same valuer that NatWest was happy to use in 2008, and that the valuation would be acceptable to it in other circumstances. So, he doesn't think NatWest's policy makes sense.

I understand the points Mr C has made and don't underestimate his strength of feeling about this issue. However, NatWest's policy on this point is clear. I appreciate that Mr C is annoyed that he hasn't been provided a copy of the policy as NatWest says it's confidential. However, I've seen the policy and considered it here. I'm satisfied that the policy can't be made publicly available as it is confidential.

The policy says that a transcript report (circumstances where an existing valuation can be used in a NatWest valuation report) can only be obtained in relation to new purchase applications. As Mr C wasn't purchasing a new property that meant that a standard valuation would need to be carried out.

I've asked NatWest for more information on the thinking behind its policy on this issue. It told me that it has never used the Home Buyers report to provide a property valuation as it isn't a report that it has any rights to. In other words, it isn't a report that is created for NatWest. However, in recognition of the legal system and market convention in Scotland, NatWest has established a process (the 'transcript' report process referred to above) to support customers buying a home. NatWest says that process isn't relevant to Mr C's situation.

I can understand NatWest's position here and why it says it's only willing to rely on a property valuation created for it in these circumstances. NatWest can't be clear what the valuer was told before the valuation was carried out/the basis on which the valuation was made in this case. So, I don't think it acted unfairly by acting in accordance with its policy in this case. I think it's reasonable that NatWest acts to ensure it knows the terms on which a valuation it relies on is carried out.

I appreciate that Mr C's expectations were raised when he was initially (mistakenly) told that he could use the Home Buyers report to reduce the LTV on the mortgage to 50%. But that doesn't mean it would be fair and reasonable for me to say that NatWest acted unfairly by acting in accordance with its policy or that it should honour what it said initially if that means going against its policy.

NatWest has also told us that it will need to pay a valuer to get a new valuation, so it thinks it's reasonable to recover that cost from Mr C if he wants to go ahead and get a new valuation so he can get a new (lower) interest rate on his mortgage. I think that's reasonable.

NatWest has paid Mr and Mrs C £150 compensation for the distress and inconvenience they were caused when it gave them the initial, incorrect information. I think that's a fair and

reasonable amount given the nature of NatWest's mistake. I can also see that in its final response letter NatWest said that it would calculate and reimburse the interest paid between the date of Mr C's initial request (24 October 2022) and its final response as a gesture of goodwill. NatWest hasn't confirmed that it has done this. I think it should do that if it hasn't done so already.

I appreciate that Mr and Mrs C are likely to be very disappointed by this decision. However, for the reasons set out above, I don't think NatWest needs to do more to resolve this complaint.

My final decision

For the reasons set out above, my final decision is that National Westminster Bank Plc doesn't need to do more to resolve this complaint. If it hasn't already done so it should pay Mr and Mrs C the interest they paid on their mortgage between the date of Mr C's initial request and its final response letter as it said it would as a gesture of goodwill

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 25 April 2024.

Laura Forster
Ombudsman