

The complaint

Mr H and Miss R's complaint is about their mortgage with Nationwide Building Society.

Mr H and Miss R say that, when they were porting (transferring) their mortgage interest rate product onto a new property, they were given incorrect advice about the amount of the early repayment charge (ERC) they'd have to pay. As a result, they now have two separate interest rate products with two different end dates and believe they have lost out financially.

To settle the complaint, Mr R and Miss H want Nationwide to consolidate both their mortgage interest rate products onto one product at the 4.04% rate they took for their new borrowing.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr H and Miss R being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr H and Miss R took out a mortgage with Nationwide in 2019. It was on a five-year fixed interest rate product of 2.39%. An ERC would apply, on a tapering basis, from 5% down to 1% if the mortgage was redeemed up until 30 April 2024.

Mr H and Miss R had two discussions with Nationwide about moving home and porting their interest rate product. These took place on 17 and 19 April 2023. The adviser confirmed that the ERC would be 2% of the amount repaid, or approximately £1,700.

To avoid paying the ERC, Mr H and Miss R decided to port this 2.39% interest rate product onto the new mortgage and take out a new interest rate product for the additional borrowing they'd need for their new purchase. The new borrowing was on a five-year fixed rate of 4.04%.

A mortgage offer was issued on 20 April 2023. The purchase completed on 4 July 2023. By that time, the ERC was only 1%, so about £800.

Mr H and Miss R's complaint is that, if they'd been told by Nationwide that the ERC would only be 1% by the time they redeemed the mortgage, they'd have opted to pay this and had all their borrowing on the new product at 4.04%, rather than having two different expiry dates for the separate interest rate products. They thought Nationwide had given them bad advice.

Nationwide didn't uphold the complaint, saying that the advice was given based on the figures as they were on the day. Unhappy with Nationwide's response, the complaint was raised with our service.

An Investigator looked at what had happened. He didn't think the complaint should be upheld. He'd asked Nationwide to calculate how much Mr H and Miss R would have paid if they'd paid the 1% ERC and switched all their borrowing onto the 4.04% rate. This showed they'd have paid more than they did by porting the product onto the new mortgage. The Investigator was therefore satisfied that there was no financial loss.

Mr H and Miss R disagreed and asked for an Ombudsman to review the complaint.

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'm afraid I have disappointing news for Mr H and Miss R; I'm not upholding the complaint. These are my reasons.

I'm satisfied the dates when the ERC percentage reduced each year were set out in the 2019 mortgage offer. This is also information that is usually given on the annual mortgage statement. In the circumstances, I'm satisfied Mr H and Miss R would already have had this information.

It was reasonable for the adviser to base the advice on the figures as they were at the time the advice was given in mid-April 2023. The mortgage offer was issued on 20 April 2023, the day after the second discussion.

Nationwide wasn't to know how soon after the offer was issued completion would take place, particularly as the property is in Scotland, where buyers are committed to their purchase at a much earlier stage than in other parts of the UK. It is not uncommon for a mortgage offer to be the last thing the solicitors are waiting for, with completion taking place within a few days of it being received. Given this, the advice given in mid-April 2023 that porting was the most cost-effective option was correct.

Mr H and Miss R say that, if they'd known they'd only pay a 1% ERC, they'd have done this and put all their borrowing onto the 4.04% fixed rate. However, I've reviewed Nationwide's calculations of the amount Mr H and Miss R would have paid if they'd done that, and what they actually paid. Mr H and Miss R have been provided with the figures by the Investigator so I won't set them out here.

I note that if Mr H and Miss R had paid a 1% ERC and put all their borrowing onto the new 4.04% five-year fixed rate, they'd have been £1,622.72 worse off than they are by porting their 2.39% interest rate product and not paying an ERC. Given this, I'm satisfied there has been no financial loss to Mr H and Miss R.

This means that I don't think Nationwide has done anything wrong, in all the circumstances of this case.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Miss R to accept or reject my decision before 8 October 2024.

Jan O'Leary
Ombudsman