

The complaint

This complaint is about a capital repayment mortgage Ms G holds with National Westminster Bank Plc (NatWest). Ms G complains that NatWest misled her into thinking that when it switched her to a new five-year interest rate product, it was at the same time extending an existing interest-only concession to run for five years as well. In reality, the interest-only concession only had a few days left to run, and reversion to capital repayment increased the monthly payment substantially from what was in the product offer.

What happened

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Instead I'll focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we work within the rules of the ombudsman service and the remit those rules give us. We don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The key question here is whether and to what extent the information NatWest provided caused Ms G to believe, wrongly, that with her mortgage going onto a new fixed-rate deal, her interest-only concession was also being correspondingly extended. To help me decide that, I've considered what NatWest told Ms G in various pieces of correspondence.

On 2 August 2023, in a letter confirming the start of the interest-only concession in accordance with Cost of Living support provided under the Mortgage Charter, NatWest said: *"Your mortgage will revert from interest-only to a repayment method on 2 February 2024, once this happens, you can expect your mortgage payments to increase as you will resume paying both the capital and interest elements of your mortgage."*

In a letter dated 2 January 2024, one month before the concession was due to end, NatWest said:

"This six-month support period will end soon, at which point your mortgage will revert back to your original repayment method."

This means that you'll resume paying both the capital and interest on your mortgage balance."

and:

"We'll write to you again to confirm your new payment before it changes."

In the offer for the new five-year interest rate product dated 29 January 2024, NatWest said, in bold type:

"IMPORTANT INFORMATION

If you are currently paying your mortgage on an Interest Only basis as a result of a temporary switch under the Cost of Living support, the amounts shown in this agreement will be based on Interest Only and not Capital Repayment. That means that the estimated monthly payments shown in this agreement are less than you will actually pay once your interest only period comes to an end.

Once the Interest Only period has ended and your mortgage returns to Capital and Interest, we will confirm your new monthly payment and when this will be collected. IT IS LIKELY THAT THESE WILL BE HIGHER THAN THE ESTIMATED AMOUNTS SHOWN IN THIS AGREEMENT."

The above passage appears at the very top of page one of the agreement. Meanwhile, the product switch itself was provided on a non-advised basis; that is, rather than NatWest recommending it, Ms C chose it having decided for herself that it was suitable for her needs, based on the information in the offer.

Lastly, in a letter dated 2 February 2024, NatWest confirmed the new monthly payment that would apply on the new fixed rate, following the mortgage reverting to capital repayment after the end of the concession. That letter also said the new payment would be collected on 21 February 2024.

Put all of the above together, and the only conclusion I can draw is that NatWest gave Ms G the right information at the right time, and each successive communication was consistent with those that had preceded it. Overall, I'm not persuaded that Ms G could reasonably have inferred, from anything NatWest told her, that her interest-only concession was being extended beyond 2 February 2024.

The only shortcoming in NatWest's communication with Ms G is that in a phone conversation on 31 January 2024, it didn't take the opportunity to remind Ms G orally that the payment quoted in the agreement would be superseded in a few days' time when the interest-only concession came to an end. I'm not convinced it would have changed anything; in my view, Ms G would most likely still have proceeded with the new interest rate product if she'd been given that reminder in the phone call on 31 January 2024.

Nonetheless, I agree with our investigator that due to that small omission, overall fairness requires that Ms G be allowed the opportunity to come out of the fixed rate product agreement early without incurring an early repayment charge (ERC).

To be clear, that would mean her mortgage reverting to NatWest's standard variable rate (SVR). But it would at the same time give her the freedom to choose what to do next, without fear of being subject to an ERC. That may be helpful to Ms G given that I understand she is contemplating moving house which would require her to repay the existing mortgage and take out a new one to fund the purchase of the new property.

For the avoidance of ambiguity, if Ms G accepts this final decision, it does not mean she *must* come out of the fixed rate and revert to SVR. It simply means that NatWest must allow it if she expresses a wish to do so.

Lastly, for her time and trouble, NatWest should also pay Ms G £100 compensation.

My final decision

My final decision is that I uphold this complaint in part. To resolve it, I order National Westminster Bank Plc to offer Ms G the option to come out her fixed rate and revert to SVR on her current mortgage. Separately, and regardless of whether Ms G takes up that option, I also order National Westminster Bank Plc to pay her £100.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 4 November 2024.

Jeff Parrington

Ombudsman