

The complaint

Mr H and Miss S complained that National Westminster Bank Plc didn't include a cash figure for how much interest they would be paying when they took out their new mortgage deal, and Miss S said when she tried to complain, she was ignored.

What happened

Whilst this complaint is brought by both Mr H and Miss S, as the mortgage is in both their names, our dealings have been with Miss S. So I'll mainly refer to her in this decision.

Miss S said when she took out a new mortgage deal with NatWest, refixing her mortgage interest at a higher rate, NatWest told her that her payments would go up by about £120 a month. She said that seemed ok, so she didn't move her mortgage, or use savings to pay it off. But she said it wasn't explained just how much of her new monthly mortgage payments would be taken up by interest.

Miss S said she was a vulnerable customer, and she thought this mortgage deal had been mis-sold because she wasn't given this information in a straightforward way that customers could understand.

Miss S also said she'd been in touch with NatWest multiple times, trying to register her complaint. But she said NatWest just ignored her, until she said she would be asking our service to look into things.

Miss S said she wanted NatWest to refund all the interest it had charged since she took out the new deal, and wanted NatWest to waive the fees for paying off this mortgage. She also wanted £1,000 for the stress NatWest had caused.

NatWest said the monthly payments Miss S had been making were right. It said that her mortgage had previously been on an interest rate of 1.37% until 29 February 2024. She'd then accepted a new deal, at 4.99% until 29 June 2026.

NatWest said its illustration didn't include a separate figure for the interest she would be charged. It said that's because this would change, month on month, based on the number of days in the month and the remaining mortgage balance.

NatWest didn't think it had mis-sold this mortgage. It said Miss S applied for this herself, online, and NatWest hadn't made any recommendation to her. It said there are a number of warnings, pointing out the seriousness of the commitment that customers are making when they change their own mortgage rates online, and also stressing that NatWest hasn't provided any advice. It said these warnings include the following *"You are responsible for whether the selection is appropriate for your needs"*. So NatWest said if this mortgage wasn't suitable for Miss S and Mr H, that wasn't its fault.

NatWest also said it had recorded Miss S's complaint on 9 April, and it had sent her a complaint reference on 10 April. It was sorry that it hadn't been able to look into this

complaint more quickly for her, but it had provided a response within the regulatory deadline, which was 56 days. NatWest said it had also tried repeatedly to call Miss S during this time. It noted that she had got in touch with it again, and repeated her complaint, a number of times, but NatWest didn't think it had unfairly delayed providing a response here.

NatWest noted that Miss S had recently told it she was a vulnerable customer, and said it has a number of ways to help such customers, if she would like to consider those.

Our investigator didn't think this complaint should be upheld. She said she couldn't say NatWest had mis-sold this product, because Mr H and Miss S applied online, and NatWest had no input on which product was selected. Our investigator said the documentation provided for the rate switch was in line with what our service would expect to see from any lender, and is in line with the Financial Conduct Authority's guidelines. That illustration set out for Mr H and Miss S how much more they would pay each month. Since then, NatWest has set out the details of what this would mean for them. And our investigator said our service can't consider a separate complaint about complaints handling.

Miss S replied, and said she thought we had missed the point. She said the issue wasn't the total payment, it was that NatWest hadn't broken down how much of that was going to pay off the capital, and how much NatWest was taking for interest each month. She said if she had seen a cash figure for how much interest NatWest would take each month, then she would not have purchased this product. The only explanation of this came several months after the purchase. And she said she'd waited so long for an outcome from NatWest, that meant she'd paid even more in interest.

Our investigator said she wouldn't expect NatWest to have provided the information Miss S wanted, when she was switching rates. And she said NatWest replied within the timeframe set out for it. Because no agreement was reached, this case then came to me for 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.

I've reached the same overall conclusion on this complaint as our investigator.

Firstly, I'd like to say that NatWest isn't responsible for recommending this product to Miss S and Mr H. It didn't offer any advice, and included several prominent warnings about self-service mortgages as part of the application that Miss S went through.

Our investigator said that, as part of Miss S's application, NatWest had set out the information that we'd expect. Miss S might like to know that this is a common format, used by most lenders. So the specific thing she'd wanted to know here, a cash amount for interest that would be charged, isn't something businesses would usually draw to a customer's attention. I don't think it was unreasonable or unfair for NatWest not to have included this information, as part of Miss S's online application.

Miss S told us she was shocked at the jump in the amount of interest she was paying each month. I can see that from November 2021, Miss S was paying about £422 a month, and interest made up around £85 of that, per month. As NatWest said, this does fluctuate from month to month, and it goes down over time.

Miss S's new monthly payment, under the new higher interest rate she accepted from 1 March 2024, was £545 a month, but interest accounted for around £290 of that. So Miss S is right to say that her monthly payment is a little higher, but a much higher proportion of that payment is being taken to service the interest on the loan.

I understand why Miss S has found these figures upsetting, but I haven't been able to see that NatWest is doing anything different to other lenders here. Mortgages are a very complex financial product, and even small changes to the interest rates charged can have a big impact on how the mortgage works overall.

That's because a mortgage is such a long term loan. It's common for it to take more than a couple of decades to pay the lending off. And while this mortgage borrowing is in place, the bank charges interest on the money it has loaned.

Although interest rates do change over time, each time a bank works out the repayments for a new interest rate, it works on the basis that Miss S and Mr H want to pay their lending off within the term they originally borrowed for (unless they ask to change this). And it also works on the basis that their monthly payments should (aside from interest rate changes) stay the same each month, over the term of that mortgage.

This is how mortgages in the UK usually work. Banks do this to "flatten out" payments overall across the whole term of a mortgage – otherwise a mortgage would cost very considerably more in the first few years, and would be extremely difficult to afford.

When Miss S and Mr H had their previous mortgage deal, the interest rate of 1.37% was low. That meant that less of Miss S and Mr H's monthly payment needed to be used to cover the interest charged, and more of Miss S and Mr H's monthly mortgage payment could be used each month to pay off the capital they originally borrowed to buy their house. That, overall, meant their monthly payments could be lower.

But once interest rates rose, and they accepted a new deal at 4.99%, then NatWest needed to use more of their monthly payment at the start of the mortgage to cover interest, and less of it could go towards repaying the capital.

So Miss S and Mr H will still pay their mortgage off within the same time period. But with this recent change in the interest rate on that mortgage, more of their earlier payments will be interest, and their later payments will pay the capital off.

Miss S said if she'd known what NatWest was going to do, she would have moved her mortgage, or perhaps paid it off with savings. Miss S can discuss using her savings to make overpayments to this mortgage with NatWest, if that would be helpful for her. But I do think that if Mr H and Miss S had decided to move their mortgage instead, they would have found the same sort of changes to the interest rate on their mortgage would produce the same sort of result, with any other high street mortgage lender.

Miss S also complained that NatWest had ignored her complaint. But NatWest has told us it recorded this complaint on 9 April, when Miss S made it. It said it acknowledged this at the time, and although it didn't provide a substantive response until 23 May, that is still well within the 56 days that regulations allow for NatWest to provide a response. I understand that Miss S wanted an explanation sooner, but I don't think it would be fair and reasonable for me to criticise NatWest for its response times here.

I know Miss S and Mr H will be disappointed, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Miss S to accept or reject my decision before 7 October 2024.

Esther Absalom-Gough
Ombudsman