

The complaint

Mr S complains that National Westminster Bank Plc (NatWest):

- Overcharged him interest on his mortgage account outside of the promises given in marketing and letters to customers of the account.
- Inappropriately put his account on a reducing facility via its Repayment Guide Plan Process (RGPP) which meant he had to borrow funds from elsewhere to keep his account within the new reduced limit – causing him distress, worry and financial difficulty.
- Failed to provide the information he had requested to evidence the impact its actions under the RGPP had caused.
- Delayed in providing its response to the review of the RGPP action it took.
- Failed to respond appropriately to his complaints about the above.

What happened

Mr S initially opened his One account in 2000 with his then partner. The account moved into his sole name in 2006. It was set to run on a capital and interest repayment basis and was subject to a variable rate of interest.

While Mr S' account was set on a capital repayment basis, the marketing for the product focused on the flexibility of the account and talked about customers being able to make payments as and when they wished so long as the borrowing was repaid by the end of the term. Mr S says this is what attracted him to the account, and it was particularly suited to his circumstances at the time.

In February 2009, Mr S complained to NatWest that the interest rate on his account was not tracking the Bank of England base rate as it had been promised it would in marketing, letters to consumers and public statements. The call note shows the advisor tried to explain why Mr S' understanding was not correct, but Mr S remained unhappy. The notes also show the advisor told Mr S he could speak to a manager or have a letter regarding his complaint but that both options would result in the same outcome. So, the complaint was treated as a 'no further action' complaint and no final response letter was issued.

Between 2012 and 2015, NatWest undertook a review of customer accounts like Mr S' that were not on track to be repaid by the end of the mortgage term and asked customers to make payments to bring the account in line – the RGPP. It also reduced limits on accounts and started an annual review to further reduce the capital balances on said accounts.

Mr S received his first RGPP letter on 8 April 2013 stating he was behind with his repayments and asking him to make a payment to bring the account in line. Mr S spoke to NatWest on 19 April 2013. The call recording shows that Mr S set out his circumstances were such that he could not afford to make a payment or have the facility reduced. It was

agreed that the account would not be reduced but it would be reviewed again the following year. He also referenced concerns regarding the interest rate being different to what he had been told it would be when he took out the account. But in response to an explanation from the call handler as to why this was the case, Mr S suggested they bring their conversation around the interest rate to a close. Mr S also raised concerns during this call that the RGPP was not in line with the marketing information he had been given on the flexibility of the account – but it does not appear a complaint was set up on this point either.

On 11 April 2014, NatWest sent another letter notifying Mr S that his account was still behind and asking that he reduce the balance. Mr S did not respond to the letter or reduce the balance, so a follow up letter was set on 7 May 2014 asking him to get in contact. Mr S spoke to NatWest on 9 May 2014, explained his circumstances and confirmed he was confident the balance would be repaid by the end of the mortgage term. NatWest reviewed the account and confirmed the account would be reducing by £1.00 (one pound) in 30 days' time and would then be reviewed annually for further reductions in line with the RGPP.

On 14 April 2015, NatWest sent a letter explaining the account was due to be reduced to £122,664 in line with the RGPP but it asked Mr S to confirm if he still wanted annual reductions. Mr S did not respond, and no further reductions were applied to the account until it was reduced again in 2021.

In August 2022, NatWest decided to carry out a review of the RGPP. It had found that while the terms and conditions of the account allowed it to move the account onto a reducing facility if it was off track to be repaid by the end of the term, this was not consistent with how the product was sold. And as a result, the RGPP had led to some customers taking actions which caused them to experience financial loss. Given the action of some consumers, it started a review to understand what, if any, actions consumers took in response to the RGPP and whether it needed to offer compensation as a result.

Mr S was notified on 31 August 2022 that NatWest was undertaking a review of the RGPP on his account. In response to his assertion that the process had led to him incurring significant financial loss in the form of credit card interest, it asked him to provide information and evidence to support this and in response to some of its other questions. It also logged a complaint about the RGPP on Mr S' behalf.

Mr S did not provide any evidence to substantiate his comment that the RGPP had led to him incurring significant interest charges on his credit cards or in any other way caused him to experience a financial loss. Instead, he explained that to evidence the impact and extent of the losses, he would first need NatWest to re-work his account as if the interest rate he had been charged throughout had tracked base rate plus 1.2% as promised in the early 2000's by members of the Bank. NatWest did not provide this information and suggested that any concern Mr S had about the interest rate it charged on the account was out of time under the rules published by the Financial Conduct Authority (FCA) known as DISP.

To conclude the review of its RGPP in regard to Mr S' account and in response to his complaint regarding the same, NatWest issued a final response letter on 21 July 2023. In summary the letter said:

- Mr S had not provided it with any new evidence to substantiate the alleged losses he says he incurred as a result of the RGPP on his account. So, it had carried out its assessment based on the information it already had. Having done so, it could not see that his spending on his credit cards had changed during the RGPP compared to what it was before and after this period. It invited Mr S to provide evidence if he had any that would contradict this finding.

- It accepted the RGPP did cause Mr S distress and inconvenience and offered £500 in recognition of this.
- It also accepted it had taken too long to carry out and respond to this review so awarded £150 for the poor service Mr S had experienced as part of the RGPP review.
- It said that Mr S' complaint that NatWest departed from its promise to keep the interest rate at 1.2% above base rate had been brought too late and it wouldn't consider this point.

Dissatisfied with NatWest's response, Mr S referred his complaint to our Service. Focusing on NatWest's refusal to provide revised annual account balance figures from 2008 onward. Mr S explained this would provide the clearest evidence as to why it was necessary for him to utilise so much additional credit on top of this account to try and stay within the reducing balance of his facility.

Mr S explained he felt unable to adequately present his current case for compensation to NatWest because of its refusal to disclose relevant information. He also reiterated that he had tried to complain about the interest rate in 2009 and 2013 but he thinks he was ignored.

I issued a provisional decision on the complaint earlier this year. In summary I said:

- Not all elements of Mr S' complaint had been brought in time under the rules I must apply. But I was satisfied I could look at the RGPP process, the review of the RGPP and the rate of interest charged on Mr S' account for the periods of 2003-2013 and 2016-2022. I did not think I had the power to consider the interest charged on Mr S' account for the period of 2013-2016.
- I didn't uphold Mr S' complaint that he should've been charged interest at 1.2% above base rate for the term of the mortgage. Neither the terms and conditions of Mr S' mortgage nor his mortgage offer support the assertion that his account was on a tracker rate. And while marketing information from the early 2000's may have said the account would track at this rate, this was not a contractual obligation on NatWest and I didn't think it would be fair or reasonable to hold NatWest to comments it made prior to the financial crash of 2008. NatWest had been able to show that the costs of funding mortgages like Mr S' changed significantly following the financial crisis.
- As NatWest had accepted that the way it approached the RGPP may have led to Mr S experiencing distress, inconvenience or financial loss and had offered to remediate that if Mr S could provide evidence, I did not need to make a finding on how NatWest carried out the RGPP. Instead, I needed to determine whether the compensation it had offered Mr S in acknowledgement of its actions was fair.
- I was satisfied the offers made by NatWest in relation to the RGPP and its subsequent review were fair. Particularly given it was willing to increase its compensation should Mr S provide any further evidence. I did not think it would be fair or reasonable to direct NatWest to rework the account as if a different interest rate had applied since 2008 and I was not persuaded that the absence of such a calculation prevented Mr S from providing evidence to support his case.

NatWest acknowledged receipt of my provisional decision but had no further comments or evidence to submit.

Mr S responded to the decision to provide further comments and information. In summary he said:

- I had misunderstood his complaint. He is complaining that the account was either mis-sold or misrepresented to him and that is what has led to him suffering a financial loss. The account was marketed and sold as tracking base rate plus 1.2% and that is why he took it out. As it did not do so, the product was misrepresented and NatWest has broken consumer protection laws.
- It is unfair that I am not awarding compensation for the loss of expectation he experienced once the interest rate started to rise above the 1.2% cap he believes should apply to his account.
- He no longer wished to complain about the RGPP or its review, he considers the compensation offered to add insult to injury and does not address his central grievance which is that the account was misrepresented from the outset and that is what has caused him to lose out financially.
- He complained to NatWest in 2014 about the interest rate on the account so believes this Service should also be able to consider the interest rate charged in the year 2013-2014 in addition to the other periods identified in my decision.

As both parties have now responded to my decision and as the deadline to do so has now passed, it is appropriate for me to issue my final decision on this complaint.

What I've decided – and why

Mr S initially raised a number of varying complaint points to NatWest and in response, NatWest sought to argue that this Service could not consider the elements of Mr S' complaint that related to events that took place more than six years before he complained in 2022.

I set out in my provisional decision that I was satisfied our Service had the power to consider:

- The complaint about the RGPP review conducted in 2022 as Mr S complained within the same year the review began.
- The complaint about the RGPP itself as although this was conducted in 2013, Mr S complained about it within the same year that it started.
- Mr S' complaint about the fairness of the interest rate charged on his account for February 2003 – April 2013 and again from August 2016 to August 2022. I did not think our Service could consider a complaint about the interest charged during April 2013 – August 2016 as this had not been complained about in time.

Mr S considers an additional year of interest charging events should fall within time, namely 2013 – 2014. And he has provided some handwritten notes he made during a call he had with NatWest in May 2014.

The notes to which Mr S refers centre on his frustrations with the RGPP process and how this was not in line with the flexibility of the product rather than a discussion about the interest rate – and this is mirrored by NatWest's notes from this call.

And while the notes suggest Mr S was complaining about the RGPP, I have already found that this element of his complaint is in time by virtue of him complaining about it in 2013. But I do not agree that this evidence extends the time that I am able to consider his complaint about the interest charged on the account.

So, it follows that I see no reason to depart from the conclusions reached in my provisional decision on the scope of our jurisdiction in this complaint. I will now turn to the merits of Mr S' complaint.

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 remain of the opinion reached in my provisional decision. I find that NatWest's offers relating to the RGPP are fair and reasonable in the circumstances of this case. I do not uphold Mr S' complaint that he has been charged the incorrect rate of interest on his account for the periods that I can consider.

I would like to note that although I have read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on a specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

The interest charged on the accounts for the periods I can consider

Mr S' initial framing of this element of his complaint to NatWest centred on him being charged a higher interest rate than what he was promised when he took out the account. On this point I said the following in my provisional decision:

"Mr S says he was led to believe through marketing, public announcements and letters that the interest rate on his mortgage would track the Bank of England base rate with an addition of 1.2%. As it did not do this, he thinks NatWest has caused him to pay excess interest which has had knock on consequences elsewhere.

In considering whether a lender has fairly charged interest on an account the first thing I must consider is the mortgage contract itself – made up of the mortgage offer and the relevant terms and conditions.

The mortgage contract sets out how much a lender is willing to lend and on what terms – which includes the interest rate that would be applicable and how such a rate could vary. In accepting a mortgage offer, a consumer is accepting that they agree to the mortgage operating in the way it has been described within said document.

In this case, Mr S' mortgage documentation describes his mortgage as being subject to a variable interest rate which can be varied at any time. The applicable terms and conditions then set out how and when the rate may vary. This documentation does not obligate NatWest to track the Bank of England base rate, nor does it cap the rate it can apply.

In light of this, I can't agree that NatWest was contractually obligated to honour the messages given in some of its marketing and public statements in the early 2000s that the rate would follow base rate and would not exceed that plus 1.2%."

In response, Mr S has said he accepts that NatWest has not breached the mortgage contract by charging a higher rate of interest than what was promised. But he doesn't think it is fair that NatWest made the promises it did in the early 2000s and then reneged on those promises without facing any consequences.

Instead, he considers NatWest mis-sold the account by fraudulently or negligently misrepresenting the features of the account when it knew that the terms and conditions of the contract were written in such a way that it did not need to honour the promises it was making to attract customers.

I have considered Mr S' comments carefully but having done so, I am not persuaded to depart from the conclusions reached in my provisional decision.

I do not doubt Mr S' recollections of the promises he was made about the account when he first took it out and I have reviewed all the evidence he has sent in on this point. But at its crux, I still need to decide whether NatWest charging a higher rate of interest than what it marketed when Mr S originally took out his account was unfair. And having done so, I am not persuaded it is.

The promises made to consumers amounted to a benefit NatWest was willing to offer its customers at the time – over and above what they had contractually agreed to. But the economy suffered a large shock in 2008 and the way in which mortgages were funded and the cost of funding those mortgages changed considerably. So, I maintain that it was not unreasonable for NatWest to consider whether it was able to continue operating the account in the same way that it had been before the crash. Accepting that should it need to change and start charging more interest, it may lose some of the customers who had taken out the product based on the expectation that rates would closely follow base rate. I am not persuaded NatWest ought to be forever bound to a non-contractual price promise it made many years ago. Given my findings on this point and the reasons for it, thinking about the complaint from a mis-sale perspective does not lead me to reach a different outcome.

While I can understand that Mr S was unhappy with the way NatWest was charging interest on the account following the 2008 crash, I am mindful that he was on a variable rate and therefore could have switched to a new lender without incurring a financial penalty from NatWest such as an early repayment charge. Although I accept there may well have been other reasons that prevented Mr S from switching at the time, these were not barriers put in place by NatWest.

Taking everything into account, I am not persuaded NatWest's actions in varying the interest rate applied to Mr S' account for the periods I can consider have led to him being treated unfairly. So, it follows that I do not uphold this element of Mr S' complaint.

The RGPP and its subsequent review

Mr S says he does not want to pursue any aspect of the RGPP action in 2013 or the RGPP review in 2022 other than to say that both of them have abjectly failed to address his central complaint about what has turned out to be a mis-selling of the mortgage and the serious financial consequences that have resulted.

The RGPP and its subsequent review were not intended to investigate the sale of the mortgage or offer compensation for such an allegation. Instead, the RGPP was intended to ensure consumers were not left with a large debt that they could not repay at the end of their mortgage term. And the RGPP review was undertaken to ensure Mr S had not taken any action as a result of the RGPP that had caused him a financial loss.

In light of this, the scope of the RGPP review and its ultimate compensation was limited and was not going to extend to cover the type of loss Mr S thinks he has experienced since 2008. It is therefore understandable that he is disappointed with the amount of compensation on offer.

As such, and in the absence of any new evidence on this point, I see no reason to depart from my provisional findings on this element of Mr S' complaint.

I am satisfied NatWest's combined offer of £650 to recognise the distress and inconvenience caused by the RGPP at the time and its delay in concluding the review is fair. It is willing to reconsider should evidence of financial loss directly linked to the RGPP be provided but in its absence, I see no reason to direct NatWest to increase this amount.

Putting things right

NatWest should now take steps to pay Mr S the £650 in compensation it has offered. And should Mr S provide any new evidence to demonstrate that the RGPP caused him a financial loss it should review this in a timely fashion.

My final decision

It is my final decision that NatWest's offer to pay Mr S £650 to recognise the distress and inconvenience caused by its RGPP and review is fair and reasonable in the circumstances.

I do not uphold Mr S' complaint regarding the fairness of the interest rate he was charged for the periods this Service has the power to consider.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 December 2024.

Lucy Wilson
Ombudsman