

The complaint

Mr F and Mrs F complain National Westminster Bank Plc unfairly declined their request to switch to a new mortgage product when their fixed term mortgage rate ended.

What happened

Mr and Mrs F held a mortgage with NatWest which began in February 2019. Mr F is leading the complaint so I will refer to him throughout my decision.

In February 2022 NatWest made the decision to end its banking relationship with Mr F. It issued Mr F with a notice to close letter providing Mr F with 60 days to make alternative arrangements. This letter explained that although any mortgage facilities would not end, it was strongly recommended that Mr F give serious consideration to transferring borrowing to another lender.

Mr F's accounts closed following this notice to close letter, but the mortgage account remained active. Mr F was tied into a five-year fixed rate mortgage, which meant charges would've been incurred had it ended early.

On 4 March 2024 Mr F contacted NatWest's mortgage centre to enquire about changing his mortgage to an interest only mortgage. Further information was required, and clarification sought from the NatWest mortgage adviser. Mr F was informed on 21 March 2024 that the application couldn't proceed.

Mr F raised a formal complaint about NatWest's decision not to take his application further. NatWest reviewed his concerns and, in its response dated 24 April 2024 it explained that as it had decided to end its banking relationship with Mr F in 2022, it wouldn't be able to offer him a new mortgage rate. It acknowledged that it had taken some time to establish this and offered Mr F £100 in recognition of the inconvenience caused.

Mr F remained unhappy and referred his complaint to this service. Mr F complained that NatWest had treated him unfairly and its decision not to consider him for a new mortgage application had left him at a disadvantage. Mr F said his mortgage repayments are higher as he had to switch to a standard variable rate. This means his repayments are almost double what Mr F was previously paying.

An Investigator reviewed Mr F's concerns. In summary, they made the following findings:

- NatWest wasn't under an obligation to write to Mr F before the end of the mortgage to explain it wouldn't have been offering a new mortgage to him.
- The processing of the mortgage application may have made Mr F think that NatWest was willing to continue its relationship with Mr F, but its notice to close letter made it clear NatWest wanted to end its relationship with Mr F.
- The mortgage adviser wasn't immediately aware of the decision made by NatWest to not offer any new services or products. But as soon as this information came to light Mr F was aware of the need to look elsewhere for a new rate.
- The £100 offered for the delay in letting Mr F know no new rate would be offered is

fair in the circumstances.

Mr F disagreed with the Investigator and reiterated his concerns about the process NatWest started with him and the losses he was now incurring due to the increased mortgage repayments.

As no agreement could be reached, the complaint was referred to an ombudsman 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'm very aware that I've summarised the events in this complaint. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr F and NatWest have said before reaching my decision.

Having done so, I've decided to not uphold this complaint. I know Mr F feels strongly about his complaint. I'll explain why.

Mr F says NatWest never properly explained to him why it made the decision to end its banking relationship with him. However, Mr F's current complaint focuses on his mortgage and the application he tried to make. NatWest's decision to end its relationship with Mr F is not subject to this complaint. This decision was made in 2022 and I haven't considered the details surrounding this in depth. I have however looked closely at what Mr F was told at the time NatWest made its decision to end its banking relationship with Mr F.

In its notice to close letter dated 8 February 2022 says:

'We, National Westminster Bank Plc, have recently undertaken a review of the banking arrangements that you have with us. We have, with regret, reached the conclusion that we will no longer provide these facilities for you.'

'Consequently, you will need to make alternative banking arrangements within 60 days of the date of this letter. These arrangements must be outside of NatWest Group plc, which includes National Westminster Bank Plc.'

The letter later states:

'With regard to your personal/business loan/mortgage, we strongly recommend that you give serious consideration to transferring this borrowing to another lender.'

Mr F decided to keep his mortgage arrangements with NatWest, and in March 2024 Mr F enquired about changing his mortgage repayments to interest only. Based on the information I've seen Mr F's contact was with the mortgage centre which wasn't aware of the decision made back in 2022 for NatWest to end its banking relationship with Mr F. It was only once Mr F was in the application process and the adviser accessed the necessary information that it came to light that Mr F's application couldn't proceed. I understand Mr F's frustration that this wasn't made clear at the outset. However, looking at the notice to close letter from 2022

I think Mr F ought to have been aware on some level that it was highly unlikely NatWest would offer Mr F a new mortgage product.

As part of its review of Mr F's concerns NatWest acknowledged that it should've made its position clear to Mr F earlier on in the mortgage application process. It has offered Mr F £100 in recognition of the inconvenience this caused. I appreciate Mr F's comments about the increased mortgage costs he has incurred, but I don't think NatWest can be held liable for these. I think the £100 offered to Mr F fairly reflects the inconvenience he experienced.

In response to the Investigator's opinion Mr F sent a letter which he received from NatWest in September 2023. This letter outlines support options for homeowners given the cost-of-living crisis and rise in interest rates. Mr F says this letter didn't give the impression that NatWest weren't willing to review, and added to his belief that he could apply for a new rate with NatWest. I've considered this letter, and it appears to be a generic letter setting out options for NatWest customers. As Mr F was still a mortgage customer, I wouldn't expect him to be excluded from such mailings. Further, the letter wasn't tailored to Mr F so I don't think it would've been reasonable for Mr F to conclude it meant NatWest were willing to keep him as a customer in the long term.

Once Mr F's fixed term rate came to an end NatWest sent a letter dated 2 April 2024, which specified Mr F's new monthly mortgage repayments as he had switched to a variable rate. This letter explained Mr F can review his mortgage options. By this stage Mr F had been informed by the NatWest adviser that a new rate would not be offered by NatWest and the need for him to look elsewhere should he wish to find a fixed rate. It was therefore for Mr F to seek alternative arrangements should have found the new repayments unmanageable.

Mr F has referred to treating customer's fairly principles and says NatWest's treatment of him isn't in keeping with these. I appreciate Mr F's feelings about his treatment, but ultimately NatWest's decision to end its banking relationship with Mr F is one it is entitled to make, and from what I've seen it was reasonable for NatWest to make this decision. The issues Mr F has experienced in relation to his mortgage are due to administrative matters, which NatWest has acknowledged could've been handled better. The £100 compensation offered for this in my view adequately addresses these shortcomings. I'm satisfied that NatWest explained the situation to Mr F clearly when it became apparent that a new mortgage rate wouldn't be offered, and I find its treatment of him to be fair in the circumstances.

I know this will not be the outcome Mr F was hoping for, but I'm not persuaded NatWest needs to compensate Mr F further or take any additional action in relation to his mortgage account.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 20 February 2025.

Chandni Green
Ombudsman