

## The complaint

This complaint's about a mortgage Mrs and Mr P hold with National Westminster Bank Plc (NatWest). The essence of their complaint is that NatWest failed to tell them the correct monthly payment they'd be paying on a new five-year fixed rate deal when they committed to it.

## What happened

I don't 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 Mrs and Mr P being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, rounding the figures, 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.

Mrs and Mr P took the mortgage out in 2022; it was for just under £316,000 inclusive of fees, on a capital repayment basis, and on an initial interest rate of 1.70% fixed until 30 April 2024. The monthly payments were just under £1,000. In the autumn of 2023, Mrs and Mr P applied for Cost of Living Support under the Mortgage Charter. This allowed them to change the mortgage to interest only for six months, starting from 11 October 2023. Between October 2023 and March 2024 inclusive, the monthly payments were just under £436.

In March 2024, with the original two-year fixed rate about to expire, Mrs and Mr P requested a new rate from NatWest, to take effect from 1 May 2024. They opted for a five year deal, at 5.24%, and in the product switch offer dated 2 April 2024, NatWest quoted a new monthly payment of a little under £1,350. However, this figure was calculated on an interest-only basis, even though the mortgage was due to revert to capital repayment on 11 April 2024; i.e. *before* the new rate was due to take effect. The offer included a narrative warning Mrs and Mr P that the monthly payment would go up once the interest only concession ended, but didn't say by how much.

In April 2024, when the mortgage was part interest only and part capital repayment but still on the original fixed rate, the monthly payment taken was a little under £1,015. But when the new rate took effect on 1 May 2024, the monthly payment increased to nearly £1,640, a difference of £290 over what had been in the rate switch offer.

Mrs and Mr P say this is simply unaffordable, and had they known the mortgage would go up this much, they'd have looked to move lenders rather than commit to a new five-year deal with NatWest. If they change lenders now, they'll have to pay an early repayment charge (ERC) which is currently in the region of £13,900, albeit that decreases on a sliding scale after July 2025.

Our investigator recommended the complaint be upheld in part only. She thought NatWest had failed to give Mrs and Mr P all the information they needed, presented in a way that they

could understand, about how much they'd pay under the new rate deal. For that failure, she recommended NatWest pay Mrs and Mr P £200 compensation. But she stopped short of recommending any further award. She wasn't persuaded of the likelihood that, if properly informed, Mrs and Mr P would have applied to another lender, and been accepted, for a new mortgage on more affordable terms.

NatWest accepted the investigator's findings; Mrs and Mr P remain unhappy so the case has come to me for review.

### **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 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. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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've come to broadly the same conclusions as the investigator, and for much the same reasons.

That NatWest failed to meet Mrs and Mr P's information needs is undisputable. It quoted a monthly payment in the product switch offer that Mrs and Mr P were never going to be charged, because the interest only concession would expire before the new rate took effect. For the shortcoming, and the shock to Mrs and Mr P of discovering the true amount, £200 compensation is entirely appropriate.

The sticking point is the ERC that Mrs and Mr P face incurring if they do now what they say they would have done if they'd been properly informed before committing to the new rate. They've identified two possible alternatives:

- a like-for-like mortgage on a lower rate and with monthly payments of £1,475; or
- a re-mortgage with monthly payments of £1,707, but also with additional borrowing that would allow them to consolidate unsecured debts and reduce their overall outgoings.

Either of these transactions would have been more involved and time-consuming than renewing the rate with NatWest, the simplicity of which Mrs and Mr P have said they found appealing. They would also have attracted up-front costs. So even though Mrs and Mr P have been very clear in saying the true cost of the NatWest mortgage isn't affordable, it doesn't automatically follow that they would have attempted to switch lenders.

But there's more to consider in any event. For me to say that NatWest must now allow Mrs and Mr P to move lenders without incurring an ERC, I have to be able to make an assessment of the likelihood that they'd have been successful if they'd applied earlier this year. The difficulty there is that I have nothing to go on when assessing how any applications would have been treated by prospective lenders. I say that because there are many components to a lender's underwriting process.

Even with a perfect payment record to consider, there are myriad reasons why a lender might still decide an application for a mortgage should not be granted. It might be deemed unaffordable, taking into account the applicant's income and existing credit commitments. In the case of mortgage finance, the property might not be acceptable security. Every lender has different lending criteria, different appetites for risk and differing policies on affordability and what types of property they will accept as security.

That's not an exhaustive list, and it's not intended to be. But it illustrates the point that what Mrs and Mr P are asking me to do goes beyond making an assessment of what is most likely to have happened on the balance of probabilities. It's taking me into the realms of speculation, which is not in my terms of reference.

I said at the outset that I wouldn't be commenting on every single point, and I haven't. I have, as I said I would, confined myself to those matters that I consider have a material effect on the outcome. I can see from her submissions how important this is to Mrs and Mr P. That's a natural reaction, and entirely understandable when you're as close to a situation as she is here.

But I have a different remit. I have to be objective, and impartial, and sometimes that means stepping back from the fine detail, taking an overview and deciding what is fair, reasonable and pragmatic in all the overall circumstances of the case. It also means that I'm not required to provide answers to every specific question that comes up if I don't consider doing so will affect the overall outcome.

### **My final decision**

My final decision is that I uphold this complaint in part. In full and final settlement, I direct National Westminster Bank Plc to pay Mrs and Mr P £200. I make no other order or award..

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 Mrs and Mr P to accept or reject my decision before 24 December 2024.

Jeff Parrington  
**Ombudsman**