

The complaint

Ms M complains about the service she has received from National Westminster Bank Plc in connection with the mortgage she holds jointly with her father, Mr K. She's unhappy that NatWest refused to honour information it gave her about the mortgage interest rate, communicated poorly or not at all, and provided poor service.

What happened

Ms M had a joint mortgage with her parents, Mr and Mrs K. The mortgage is now in Ms M's and Mr K's names following Mrs K's death. Ms M has power of attorney over Mr K's affairs, and she has brought this complaint on behalf of both of them.

In 2023 Ms M was considering what to do with the mortgaged property and the mortgage. The mortgage was being paid on an interest-only basis, and was on a fixed rate of interest of 2.44% which was due to end on 31 December 2023. The mortgage term was due to end on 19 January 2024.

On 2 October 2023 Ms M phoned NatWest and told it that she wanted to keep the property for a time while she considered her options, including whether to let out the property or sell it. She said she had had some discussions with a mortgage broker about taking a buy-to-let mortgage, and she asked NatWest whether there were any options it could offer her given that the end of the term was approaching.

NatWest's call handler said NatWest may be able to extend the mortgage term, but only for a year; Mr K's age meant it couldn't offer a longer term. Alternatively, the call handler said Ms M could apply for a new mortgage in her sole name. Ms M asked for a one-year term extension, and the call handler agreed to relay that request to the relevant team. Ms M also asked about the terms of a year's extension, and the call handler told her that the terms, including the mortgage interest rate, would remain the same.

Ms M says she didn't then hear back from NatWest with its decision about the proposed term extension. But in early December 2023 it told her during a phone call that the mortgage interest rate would increase in January 2024, from 2.44% to 8.24%. That would result in the monthly mortgage payments increasing by more than £800.

Ms M complained. She said NatWest had told her in October that the interest rate would remain the same for the extended term, and if she had been told the interest rate wouldn't stay the same she would have re-mortgaged to another lender. She also complained about delays and poor service.

NatWest accepted that it hadn't clearly explained how the mortgage would operate if the term were extended. But it said it wouldn't have been in a position to offer a different interest rate for only a year, and the extension was simply to allow Ms M time to arrange full repayment or a re-mortgage. It also said Ms M should contact it if she was concerned about making the higher monthly payments. It paid her £300 for poor service and the misinformation she was given.

Ms M referred the complaint to us. Our Investigator found that NatWest had made mistakes, and she recommended that it increase its offer of compensation to £650. She didn't however recommend that it refund any interest on the mortgage.

NatWest accepted the Investigator's recommendation but Ms M did not. She still considered that NatWest should compensate her for the higher interest rate she says she has had to pay on the mortgage because of its refusal to honour the 2.44% rate for a further 12 months.

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.

First of all, I hope Ms M will accept my condolences on her recent bereavement. It's clear that she and her family have had a very difficult time, and I was sorry to read about their circumstances. However, I have to tell Ms M that I've come to the same overall conclusion the Investigator reached about the outcome of this complaint.

In 2018 Ms M and her parents had taken a fixed interest rate product on their mortgage – 2.44% until 31 December 2023. After 31 December 2023, under the terms of the product the interest rate would no longer be fixed at 2.44% and would change to NatWest's "Mortgage Rate".

NatWest has said that extending the mortgage term wouldn't have affected that interest rate agreement, and the fixed rate came to an end on 31 December 2023. I'm satisfied that the fixed interest rate was set to end on that date, as set out in the terms of the 2018 mortgage offer. I'm also satisfied that fixing the interest rate at the same level, 2.44%, was never something NatWest was prepared to offer for a further 12 months. That isn't an interest rate product it had available in October 2023, and it had no other one-year fixed rate deals available.

I've listened to a recording of Ms M's call with NatWest on 2 October 2023, when she discussed what she might do next with the mortgage and the property. I've also read the transcript of the call. The call handler said NatWest could consider extending the term for a maximum of a year. Ms M asked about what terms such an extension would be on and asked about the interest rate specifically. The call handler told her the terms would remain the same, including the interest rate.

NatWest has accepted that its call handler didn't explain things properly, and I agree. The correct position was that the existing terms would remain the same if a one-year term extension were agreed. But the correct position was also that, under the existing mortgage terms, the fixed interest rate would come to an end on 31 December 2023. NatWest's standard variable rate (SVR) would apply thereafter. I think that this is what the call handler should have told Ms M, and in not doing so they misled her and failed to support her adequately to help her decide what to do next.

However, this doesn't mean that I can fairly require NatWest to re-work the mortgage as though the 2.44% fixed interest rate had continued to apply. I don't find that I can. That interest rate was simply never available to Ms M and Mr K after 31 December 2023. Instead, I must consider what Ms M would have done differently, had NatWest explained things properly and clearly. I've considered everything Ms M has said and provided about this. If NatWest hadn't misled her she would, she has said, have had more time to re-mortgage elsewhere on a buy-to-let basis before the fixed rate came to an end in December 2023. But NatWest told her in early December 2023 that the 2.44% fixed rate was ending, as well as what the new interest rate would be and what the resulting monthly mortgage payments

would be. Ms M didn't then re-mortgage. Nor did she do so after she received NatWest's responses to her complaint in January and February 2024, in which NatWest was clear that it wouldn't be reinstating the 2.44% fixed rate.

I recognise that Ms M thinks NatWest should honour the 2.44% rate so there should have been no need for her to look elsewhere. I've also noted what she has said about not wanting to waste a broker's time. However, I think NatWest was clear that this rate wouldn't be reinstated and why. It was Ms M's decision not then to make other arrangements for the mortgage and instead to leave it on the SVR. Copies of correspondence from Ms M's broker also show that Ms M would have needed to arrange for the property to be transferred into her sole name before she could proceed with a new lender – if that's what she ultimately decides to do, given the uncertainty around her plans for the property.

In the circumstances I find I can't reasonably conclude that, but for what she was told on the 2 October 2023 call, Ms M would have re-mortgaged to another lender on a lower interest rate than NatWest's SVR at or about the time the 2.44% interest rate came to an end or soon afterwards. I don't therefore require NatWest to compensate her for the interest she has paid on the mortgage at the SVR.

I do however consider that Ms M should fairly receive some compensation in recognition of the impact on her of NatWest's mistakes. She was caused avoidable upset and inconvenience at a time when she was vulnerable following her bereavement, and she has spent considerable time on this matter. I've also noted that besides the misleading information NatWest gave Ms M in October 2023, its service also fell short later – Ms M didn't hear back from it about her term extension request and there were other shortcomings in its communication, including in its complaint-handling and the information it gave Ms M, calls not being answered or returned, and information Ms M asked for not being sent to her promptly.

In all the circumstances, while I realise Ms M will be disappointed, I consider that £650 is a fair and reasonable award in recognition of the impact of NatWest's mistakes.

My final decision

My final decision is that National Westminster Bank Plc should pay Ms M and Mr K £650. It may deduct from this sum any compensation payments it has already made in respect of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 February 2025.

Janet Millington
Ombudsman