

## **The complaint**

Miss M complains that she was misled by National Westminster Bank Plc when she contacted it about taking out a new interest rate product and switching to interest only payments for six months.

## **What happened**

Miss M has a mortgage with NatWest. Her interest rate product was due to expire on 29 February 2024.

Miss M contacted NatWest in August 2023. It told her she could reserve a new product up to six months before the expiry date. Miss M also asked about a six-month switch to interest only payments, which she was able to do under the Mortgage Charter. NatWest told her what the monthly interest only payments would be at her current interest rate and said Miss M could apply for this online.

Miss M applied for a new product which was due to take effect on 1 March 2024, after her existing product expired. She also applied for a switch to interest only payments for six months. She then cancelled this, saying she planned to switch to interest only payments for six months from March 2024.

Miss M contacted NatWest in February 2024 to confirm the switch to interest only payments. Miss M says it was only at this point that she was told that her existing 1.37% interest rate wouldn't continue during the six-month interest only period. Miss M says she wanted the benefit of interest only payments at the lower interest rate for six months. She said this would have allowed her to save money for when her monthly payments increased. Miss M says she was misled by NatWest and had planned her finances based on the misleading information it had provided.

Our investigator said the Mortgage Charter allows borrowers to switch to interest only payments for six months. It doesn't require that the interest rate will be fixed at the rate in place at the time of the application. Our investigator said NatWest hadn't misled Miss M about this.

Miss M didn't agree. She said NatWest didn't provide recordings of all of her calls. She asked for an ombudsman to re-consider the matter.

## **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.

NatWest says it provided all available call recordings. Miss M says there were further phone calls. Miss M told us in early September 2023 she'd made a subject access request which she thought might provide evidence (including phone calls) crucial to her complaint. She hasn't since then contacted us with further evidence. I'm satisfied that I have enough information and evidence to reach a fair decision.

I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss M's 1.37% interest rate product was due to expire on 29 February 2024. Miss M agreed to the product terms – including the date that the product would expire – when she took out the product in late 2021. Once the product expired, the standard variable rate (SVR) would apply to Miss M's mortgage unless she took out another interest rate product.

The Mortgage Charter, which is intended to help borrowers worried about increases in the cost of living, came into effect in mid-2023. The Mortgage Charter allows borrowers to switch to interest only payments for six months without this affecting their credit file. The Mortgage Charter doesn't say that the lender must fix the interest rate or extend an interest rate product during this period.

Miss M called NatWest in August 2023 to ask when her product would expire. NatWest told her the product would expire on 29 February 2024. It said she could apply for a new product six months before this. Miss M asked for information about available product rates. I think Miss M was aware that her product would expire at the end of February 2024 and a new interest rate would apply after this.

Miss M also asked about a temporary switch to interest only payments. NatWest said this is available under the Mortgage Charter. It said Miss M could choose when to apply. It said she could apply online. Miss M asked what her payments would be if she switched to interest only payments. NatWest gave her the monthly payments if she switched immediately at her current rate. It said that would obviously be different if she was to go onto a different rate.

Miss M applied for a new product and NatWest issued a variation agreement and mortgage illustration on 11 October 2023. This set out the terms of the product, including the fixed interest rate of 6.05%. I think Miss M was aware that her interest rate would change from 1 March 2024.

Miss M also applied to switch to interest only payments for six months. NatWest issued a letter on 12 October 2023 confirming this would be in effect from 12 October 2023.

Miss M called NatWest on 18 October 2023 saying she wanted the six-month period to start when her interest rate product expired. NatWest agreed to cancel the switch and arrange for the six-month interest only period to start in March 2024.

There was no suggestion during these calls that the switch to interest only payments would result in Miss M's interest rate being fixed for six months at the lower 1.37% rate.

Miss M called NatWest in February 2024. She wanted to confirm the switch to interest only payments from March 2024. NatWest told Miss M that there were products available with a lower interest rate than the product she'd chosen in October 2023. It said she could choose a new product online. Miss M asked if she could cancel the product and switch to interest only payments at the 1.37% interest rate for six months. She said she hoped NatWest would be able to offer her something more affordable at the end of this period. NatWest didn't agree to this. It said if Miss M didn't take out a new product the standard variable rate would apply.

Miss M said she'd understood that if she applied for the six-month switch to interest only payments before her deal ended it would continue at that interest rate for six months, at the end of which she'd apply for a new fixed rate deal. Miss M says she asked this question each and every time she contacted NatWest and it never made it clear she had to apply six

months before her deal ended to benefit from the low rate.

I've listened to recordings of Miss M's calls with NatWest. NatWest didn't suggest to Miss M that switching to interest only payments would also fix her interest rate for six months or extend the term of her existing interest rate product. I didn't hear Miss M ask NatWest if this was the case. I don't think the members of staff Miss M spoke to could have known that she thought this.

NatWest did make Miss M aware that her interest rate would change when her product expired. And it told her that her monthly interest only payments would change if the interest rate changed. I don't think NatWest could have known that Miss M thought the switch to interest only payments would somehow also fix her interest rate for six months. I can't fairly find that it ought to have told her this wasn't the case.

I'd point out that Miss M didn't miss out on the benefit of the lower (1.37%) interest rate for six months. This interest rate was applied to her mortgage up to 29 February 2024, in accordance with the product terms. Miss M was never able to extend this regardless of whether or when she switched to interest only payments for six months.

It seems Miss M is saying that had she fully understood the situation she'd have switched to interest only payments from September/October 2023, so that she could have six months on interest only payments while on the lower rate. I don't know that she'd have been better off if she had. Continuing to make capital repayments up to the end of February 2024 reduced Miss M's mortgage balance. A lower balance means less monthly interest as compared to a higher balance. And Miss M would have been able to switch to interest only payments from March 2024 when the interest rate increased, to help her manage her payments.

Taking everything into account, I don't think NatWest made an error that would make it fair and reasonable to require it to apply a lower interest rate to Miss M's mortgage or pay compensation to her.

Miss M cancelled the new product and the switch to interest only payments. Her mortgage is on the standard variable rate. Miss M has made underpayments since February 2024. As a result, her account is in arrears.

The Mortgage Charter allows customers to switch to interest only payments for six months. This is available to customers whose mortgages are up to date. While Miss M is in arrears this won't be available to her. It's likely the arrears will also restrict her ability to take out a new interest rate product.

It's unclear if Miss M made underpayments because she feels she's entitled to the lower interest rate for another six months, or if she has financial difficulties and is unable to meet her monthly payments. I'd urge Miss M to get in contact NatWest, especially if she has financial difficulties, with the aim of agreeing an affordable payment arrangement to get her mortgage back on track.

NatWest said while it hadn't made an error, it didn't tell Miss M in August 2023 that her monthly interest payments could increase when her rate changed in March 2024. It offered £100 for any upset this caused. NatWest said there'd been a delay of about a week in it recording Miss M's complaint. It offered £8 for Miss M's postage costs. NatWest sent a cheque to Miss M with this compensation. It's unclear if she cashed the cheque. If not and the cheque has expired, she can consider contacting NatWest to ask if it's willing to re-issue the cheque.

I'm not requiring NatWest to pay compensation or take further steps in regard to this

complaint. As I said, I don't think NatWest made an error that would make it fair and reasonable to do so.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 December 2024.

Ruth Stevenson  
**Ombudsman**