

## **The complaint**

Mr J's complaint is about a mortgage he used to hold with National Westminster Bank Plc (NatWest).

Mr J says the mortgage was mis-sold because when he took out additional borrowing on sub-accounts, NatWest failed to explain to him that because the sub-accounts had different interest rate products ending on different dates, he would incur an early repayment charge (ERC) if he wanted to move his mortgage to another lender during the period when the ERCs applied.

Mr J believes it's unfair that he wasn't able to redeem only the main mortgage (which had no ERC), take out a new first charge with another lender and retain the sub-accounts with NatWest as a second charge lender. Mr J says that if NatWest had agreed to this, he would not have incurred an ERC of about £1,000 when he was forced to redeem the mortgage in its entirety.

## **What happened**

I won't 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 all the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr J being identified.

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

NatWest didn't uphold Mr J's complaint. In its final response letter the bank explained that the ERCs were detailed in the product information. NatWest also explained that, where there are further advances on an existing mortgage, these are split into sub-accounts and so on any re-mortgage, the entire mortgage, including the sub-accounts, have to be redeemed. The bank clarified that this was different from having a separate mortgage and a second charge secured loan.

NatWest also noted that on 23 June 2023 Mr J had spoken to the bank to discuss his intention to re-mortgage to another lender, and wanted information about any ERCs he'd incur if he did so. In the circumstances, NatWest didn't think it had done anything wrong.

Mr J disagreed and brought his complaint to our service. An Investigator explained that NatWest required the mortgage to be redeemed in full in order to release its charge over Mr J's property.

In addition, the Investigator set out in detail the conversation between Mr J and NatWest that had taken place on 23 June 2023. The Investigator noted that NatWest had explained that some of Mr J's sub-accounts were subject to ERCs that he'd have to pay if he chose to move his mortgage to another lender.

In the circumstances, the Investigator didn't think NatWest had done anything wrong.

Mr J disagreed and asked for an Ombudsman to review the complaint. Mr J said that it had never been explained to him that he only had one mortgage with sub-accounts. He always thought he could keep some sub-accounts with NatWest whilst re-mortgaging his main mortgage to another lender.

### **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've noted from the documentation provided by NatWest that Mr J's mortgage is made up of six sub-accounts. The mortgage started with the main account, and as Mr J took out further advances, five sub-accounts were added, making six numbered sub-accounts in total.

I can see that on the various NatWest documents issued over the years in relation to interest rate variations the documentation states:

*"As this mortgage is made up of more than one part, these parts are summarised below:"* and the documents then go on to list the sub-accounts, with the lengths of the terms and the various interest rate products that applied to each sub-account. I think it's clear from the documentation, therefore, that the sub-accounts all formed part of the one mortgage.

Mr J's argument is that he thought he had just one main mortgage, and that the further advances he'd taken out were registered as additional, separate charges as secured loans and that they didn't form part of the mortgage. I've seen nothing in NatWest's documentation to suggest Mr J was ever told that. As stated above, the evidence shows that the information Mr J was given in relation to the further advances was that these all formed part of the mortgage.

Therefore when Mr J wanted to move his mortgage to another lender, he had to repay all the sub-accounts at the same time. It wasn't possible for Mr J to repay only part of the mortgage and then take out a new first charge mortgage with another lender. NatWest required repayment of the mortgage (including the sub-accounts) in full before it would release its charge. This is entirely reasonable, and is standard mortgage practice.

NatWest was also under no obligation to re-arrange Mr J's sub-accounts onto a new secured second charge loan in order to accommodate Mr J's wish to take out a new first charge mortgage with another lender. That wouldn't have helped Mr J in any event, because he'd still have incurred the ERCs on the sub-accounts if he'd repaid these by taking out a new secured loan. As I've explained above, the sub-accounts weren't separate from the mortgage, they were part of the mortgage.

I'm also satisfied from listening to the call dated 23 June 2023 that Mr J was aware that some of the sub-accounts were subject to ERCs and that these would be payable if he moved his mortgage to another lender.

In the circumstances, whilst I acknowledge Mr J's disappointment that he incurred the ERCs on redemption of his NatWest mortgage, I'm satisfied the bank has done nothing wrong.

### **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 Mr J to accept or reject my decision before 2 January 2025.

Jan O'Leary  
**Ombudsman**