

## **The complaint**

Mr D and Miss L complain about the interest rate that they are being charged by National Westminster Bank Plc following the extension of their mortgage term.

## **What happened**

Mr D and Miss L have an interest-only mortgage with NatWest. Following a re-mortgage in 2021, the term of the mortgage was to end in April 2024. The mortgage was £165,081.00 and the repayment strategy was to repay the mortgage at the end of the term from the sale of the property. The term was then further extended for a further year until April 2025 to allow its sale. The NatWest file records that the property was on the market at that time for over £1m and that this was to be the final extension to be allowed. The purpose of the extension was to allow Mr D and Miss L to sell the property. Before the term ended in April 2024, Mr D's and Miss L's interest rate went onto NatWest's standard variable rate ("SVR") as their existing mortgage product had expired on 1 March 2024.

NatWest sent out a suitability letter dated April 2024 which noted the monthly payment would be £1,137.09. Previously Mr D and Miss L were on a fixed rate with monthly payments of £180 and were unaware that the rate would revert to the SVR and expected to be able to get a fixed rate. But NatWest said that there was no fixed rate mortgage product available for a one-year extension.

Our investigator didn't recommend that this complaint should be upheld as NatWest had acted reasonably as it had no products available for a one-year term. Mr D and Miss L say that they have been treated differently to other NatWest customers, and discriminated against, as the extended term offered is less than the term that would allow them to qualify for fixed or tracker rates.

## **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.

Mr D and Miss L have an interest-only mortgage which should have been repaid by now but wasn't when the term ended in early 2024. Until the end of February 2024, they had a fixed interest rate mortgage product, fixed at 1.27%. In the suitability letter recommending the product, NatWest says that their objective was to secure a 2-year fixed rate product to coincide with when they planned to sell the property. NatWest offered them a further term extension of one year to allow them to sell the property. It's not clear why it hasn't been sold. I note that at a point in time – pre-budget in October of this year – that a local estate agent described the market as "*slow*," and that Mr D and Miss L might want to change the guide price or "*wait and see*." From the figures quoted there seems to be plenty of equity to allow them to purchase a replacement property. Mr D and Miss L may well not now be selling the property as they have told us they have got a re-mortgage offer from another lender and a tracker mortgage product for two years.

Mr D and Miss L's complaint is that the one-year extension deprived them of an opportunity

to get one of NatWest's mortgage products which discriminated against them. If I look at NatWest's discounted interest rate mortgage products they are intended to last for fixed terms. The shortest terms I've seen are two years. So, a term extension of one year is likely to deprive the applicant of those products. So, I've considered whether NatWest acted fairly in only providing Mr D and Miss L with a one-year extension rather than an extension that fitted in with the length of their available mortgage products.

Mr D and Miss L had made a commitment to pay the mortgage by 2024 when the mortgage ended. Their ability to remain in the property beyond that depended on a concession from NatWest. NatWest, by concession, provided a one-year extension to allow them to sell the property. That seems a reasonable period to market and sell the property or indeed remortgage it. The problem that Mr D and Miss L face is that until the property is sold they will not have the advantage of a fixed interest rate mortgage product. Mr D and Miss L in their email of 3 October 2024 to us say that they should have been offered a fixed rate mortgage product and when they sell they can pay the early repayment charge ("ERC"), and this may well work out cheaper than the rate they are paying.

Although Mr D and Miss L don't set out the figures supporting that I've considered what would happen if NatWest were to offer a two-year extension with a two-year mortgage product and an ERC to allow a customer to sell a property. The question that occurs is why would anyone sell a property within the two-year extended concession period if they could avoid the ERC by waiting out the two years? Such an arrangement would clearly defeat the purpose that the concession was set out to achieve which was to facilitate the sale of the property within the extended period. So, I don't consider that it's unreasonable if NatWest don't offer that. It seems to me that there is likely to be a conflict in providing a fixed rate with any extension if the purpose is to sell the property. A fixed rate is fixed for a specified period of time. But the sale or remortgage of the property could happen at any time within the year. So, fixing a rate to coincide with the full year – even if such a product were available - could operate as a disincentive to sell or remortgage within the year which defeats the purpose of the extension. So, I don't consider that it was unreasonable for NatWest not to offer Mr D and Miss L a fixed rate product.

I know that Mr D and Miss L feel about strongly that they have been discriminated against. I've given consideration to their discrimination complaint, but I can't say that there is evidence that NatWest has treated them differently based on any of the protected characteristics under the Equality Act 2010. As customers whose mortgage term had lapsed and were offered an extension of one year to sell the property they were unable to access the fixed term mortgage products available to other customers but for the reasons set out above I don't consider that this was unreasonable, and I don't uphold this complaint.

### **My final decision**

My decision is that I do not uphold his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Miss L to accept or reject my decision before 1 January 2025.

Gerard McManus  
**Ombudsman**