

## The complaint

Mr T and Ms T's complaint is about a mortgage they have with National Westminster Bank Plc (NatWest). They believe the fixed interest rate product attached to their mortgage was mis-sold to them and NatWest should waive the early repayment charge.

## What happened

Mr T and Ms T took out their mortgage with NatWest in 2013. At the end of January 2024 they chose to temporarily change their mortgage to an interest-only basis for six months. When they did this, it was made clear that the mortgage would automatically revert to a repayment basis at the end of the six months. The documentation provided at that time confirmed what the monthly payment would reduce to for February and March 2024 on the existing interest rate, and what it would be if the mortgage reverted to standard variable rate (SVR) on 1 April 2024. It was also confirmed what the monthly payment would be on SVR when the mortgage reverted back to a repayment basis.

On 1 April 2024 the mortgage reverted to NatWest's SVR.

In June 2024 Ms T contacted NatWest as they wanted to borrow a further £5,000 on the mortgage to do some home improvements, but when they'd tried applying online it would not allow the application to proceed. NatWest explained that the minimum for a further advance on a mortgage was £10,000 and that was why the application hadn't been able to progress. NatWest confirmed that if they wanted to borrow less, there were other options available, and it could help them with that. It was also confirmed that as the mortgage was on a variable interest rate, if Mr T and Ms T wanted to borrow more, they would need to speak to a mortgage adviser. However, while the mortgage was on the temporary interest-only concession, they wouldn't be eligible for further borrowing. NatWest left them to think about what they wanted to do, with the options being:

1. To wait until after the last payment under the interest-only concession had been paid in July 2024 and then apply for further borrowing and a new interest rate product; or
2. Apply for a new product at that point, and then the further borrowing after July 2024. It was highlighted that if they chose this option the further advance would be on a different interest rate product.

Mr T and Ms T applied for a new interest rate product online following Ms T's conversation with NatWest. They selected a five-year fixed interest rate product.

The variation agreement that was sent to Mr T and Ms T following their application for a new product stated on the first page:

### **IMPORTANT INFORMATION**

***If you are currently paying your mortgage on an Interest Only basis as a result of a temporary switch under the Cost of Living support, the amounts shown in this agreement will be based on Interest Only and not Capital and Interest. This means***

***that the estimated monthly payments shown in this agreement are less than you will actually pay once your interest only period comes to an end.***

***Once the Interest Only period has ended and your mortgage returns to Capital and Interest, we will confirm your new monthly payment and when this will be collected. IT IS LIKELY THAT THESE WILL BE HIGHER THAN THE ESTIMATED AMOUNTS SHOWN IN THIS AGREEMENT.***

In addition, it was documented that an early repayment charge (ERC) would be payable during the five-year term of the new product.

At the end of the six-month interest-only concession the mortgage reverted to a repayment basis. NatWest wrote to Mr T and Ms T at the beginning of July 2024 reminding them that this would happen. It was then confirmed on 1 August 2024 that the mortgage had reverted and what the monthly payment would be when it was collected later that month. Mr T and Ms T complained as they believed that when they arranged the new interest rate product the mortgage had permanently been converted to an interest-only basis as they had requested.

NatWest responded to the complaint in letters of 17 and 24 September 2024. It didn't uphold the complaint as it did not consider it had made a mistake. It was highlighted that the product offer had explained what would happen if they were in the middle of a temporary interest-only concession period.

Mr T and Ms T were not happy with NatWest's responses and referred the complaint to this Service. When they did so, they told us that they had asked about further borrowing and for the mortgage to be permanently converted to an interest-only basis when Ms T spoke to NatWest in June 2024.

One of our Investigators considered the complaint and recommended that it be upheld in part. He didn't agree that the interest rate product had been mis-sold. However, he thought that NatWest should have provided Mr T and Ms T with more information at the time they applied for the fixed interest rate product, so that they knew how much they would be paying once the mortgage reverted to a repayment basis and could have made a fully informed decision. The Investigator considered this would have caused Mr T and Ms T some distress and so NatWest should pay them £150 compensation.

NatWest accepted the recommendation and agreed to pay the £150 compensation.

Mr T and Ms T said they were happy that the complaint had been upheld, but they wanted to be able to leave the interest rate product without 'penalty' as the resolution of the complaint. They said that the product was not what it was advertised to be and so the compensation was not fair. They said they were significantly worse off than they would have been if they had waited until the interest-only concession had ended, as they had discovered they can't borrow more against the property and were locked into a 'poor rate' and not the product they expected.

The Investigator considered Mr T and Ms T's comments, but he was not persuaded to change his conclusions.

We asked Ms T for her recollections of the conversations that were had with NatWest. She said that she had wanted to discuss whether to stay on a repayment mortgage or to change the mortgage to a buy-to-let arrangement on an interest-only basis. She said they had also discussed the options to release equity from the property, and recollected being advised the best option for them was to take a new rate and then apply for the additional borrowing once the interest only period had expired in July 2024

## **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 have listened to the telephone call in which Ms T discussed her and Mr T's requirements for the mortgage going forward. While the complaint has been made on the basis that the interest rate product was mis-sold because they believed the mortgage was being permanently converted to an interest-only basis, this is not something that was mentioned in the conversation, nor was re-mortgaging to a buy-to-let mortgage. The conversation revolved around the issues of Mr T and Ms T wanting to borrow additional funds and wanting a new fixed interest rate. They were given factual information about their options for obtaining the two things they wanted – two options for how they could apply for both things.

NatWest didn't recommend either option and no guarantees were given about whether Mr T and Ms T would be able to borrow more funds. The agent Ms T spoke to didn't suggest either option would be better for them – the conversation ended with Ms T having options and her going away to think about which she and Mr T wanted to pursue. They appear to have done this and applied directly for a new fixed interest rate product. I can't find NatWest is responsible for the decision they made.

It is also clear from this conversation that Ms T was aware that the change to interest-only was a temporary one and that it would change back to repayment at the end of July 2024. I am satisfied that Ms T also understood that whether a new interest rate product was added immediately or not, the mortgage would still revert to a repayment basis when the six-month concession ended. As such, I can't conclude that the interest rate product was mis-sold to Mr T and Ms T.

That said, as our Investigator said, NatWest should have provided Mr T and Ms T with more information when they applied for the new interest rate product. It made it clear in the documentation that the monthly cost would increase when the mortgage reverted to a repayment basis, but it did not tell them at that point how much the revised monthly payment would be. NatWest has accepted that it should have done this and agreed to pay Mr T and Ms T £150 compensation. Having considered the situation, I agree with the Investigator that this is an appropriate sum to compensate for any inconvenience this omission caused.

## **My final decision**

My final decision is that I uphold this complaint in part. In full and final settlement of the complaint, I require National Westminster Bank Plc to pay Mr T and Ms T £150 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms T and Mr T to accept or reject my decision before 19 March 2025.

Derry Baxter  
**Ombudsman**