



The complaint

Mr F and Miss B complain about the way National Westminster Bank Plc has treated them and administered their mortgage. In particular, they're unhappy that the fixed interest rate they took in 2023 was higher than rates NatWest made available to new customers, and that the help with cost of living NatWest offered would cost them more in the long run.

What happened

Mr F and Miss B took out their NatWest mortgage in 2016, on a capital and interest repayment basis. They initially had a two-year fixed interest rate, and when that ended in 2018 they took a five-year fixed rate.

The five-year fixed rate (of 2.97%) ended on 30 November 2023. Under the terms of the 2018 agreement, the mortgage interest rate was due to switch to NatWest's standard variable rate (SVR) on 1 December 2023.

Mr F and Miss B looked into taking a new interest rate product, and in November 2023 they applied online to switch to a fixed rate of 5.65% until 31 March 2026. NatWest's SVR applies when the fixed rate ends.

At around the same time as applying for the rate switch they also made a complaint, which they say NatWest didn't record properly, so they had to complain again later. They said the fixed interest rate they took in November 2023 was around 0.5% higher than the two-year fixed rates NatWest was offering to new customers, and that wasn't fair.

They were also unhappy with a letter NatWest sent them about the help it had available for customers who were struggling with their mortgage payments, such as a temporary switch to interest-only or extending the mortgage term. They didn't think either of those things would be helpful because they would result in the mortgage costing them more overall.

NatWest said it offers different interest rate products to new and existing customers, and it's entitled to do that. It paid Mr F and Miss B £100 by way of apology for a problem with Mr F's phone number on its records which had stopped him accessing its app.

Mr F and Miss B didn't accept that and referred their complaint to the Financial Ombudsman Service. They still wanted the lower fixed interest rate product which NatWest had had on offer to new customers.

Our Investigator concluded that NatWest had treated Mr F and Miss B fairly, so she didn't recommend that their complaint should be upheld.

Mr F and Miss B didn't accept that conclusion and asked for it to be reviewed. They wanted to see the information NatWest had provided about how it priced its products, and they didn't think their vulnerability – which they said prevents them from moving their mortgage to a new lender – had been taken into account.

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.

Interest rates have increased generally since Mr F and Miss B took their previous interest rate product in 2018. This meant they faced an increase in their monthly mortgage payments after the 2.97% fixed rate ended on 30 November 2023, and they wanted to find the best new fixed rate deal they could. They took a two-year fixed interest rate of 5.65% with NatWest.

At the time Mr F and Miss B chose their new fixed rate, NatWest had available two two-year fixed interest rate products for existing customers with a loan to value of no more than 60%. Mr F's and Miss B's loan to value was below that threshold. NatWest was offering two-year fixed rates of 5.65% with no fee or 5.44% with a £995 fee.

For new customers making new purchases with a loan to value of no more than 60%, NatWest had available two-year fixed rates of 5.23% with no fee or 4.97% with a £995 fee. For new customers remortgaging, in the same loan to value bracket, it had available two-year fixed rates of 5.15% with no fee or 4.92% with a £995 fee.

Mr F and Miss B feel strongly that it's unfair for new customers to have access to lower rates than existing customers, and I can see why they feel they have been disadvantaged. However, I don't consider it inherently unfair or unreasonable for lenders to price products differently for different groups of customers, and there's nothing in law or the rules of mortgage regulation to say that lenders can't set prices differently in this way.

In making my decision in this complaint, as well as relevant law and rules, I've taken into account the requirements of the Consumer Duty. Under the Duty, firms must consider whether their customers are receiving fair value when assessing the price of a product or service against the benefits.

"Fair value" isn't only about price; it's also about the benefits and other features of a product or service. The financial services regulator, the Financial Conduct Authority (FCA) issued guidance for firms on the Consumer Duty in July 2022.¹

This guidance says, at chapter 7, paragraph 7.38:

"The price and value outcome rules do not require firms to charge all customers the same amount. Differential pricing between new and existing customers in the form of clear, transparent up-front discounts for either set of customers is not prohibited by the Duty."

It goes on to say that firms should however consider whether their prices offer fair value to various groups of customers, including whether vulnerable customers could be disadvantaged.

The guidance is clear that firms need not offer the same prices to all their customers. Firms should, however, be able to show how they have considered whether the products they offer represent fair value. We've asked NatWest for details of its assessment of fair value, which it has provided to us in confidence. I note that Mr F and Miss B have asked for a copy of this assessment, but I'm satisfied it's appropriate for me to receive it in confidence, as permitted by our rules, subject to providing a summary of it.

¹ FCA's Finalised guidance FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty: <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>

In summary, the assessment shows that NatWest considered a range of factors when setting its prices. Those factors included the features and costs of each product (such as the ability to overpay or apply for further borrowing, the costs of product fees and early repayment charges as well as the interest rate), the benefits for new customers to the bank to borrow for the long term, the benefits for existing customers to switch to a new rate without an assessment of affordability or legal or valuation fees, risk such as loan to value and term, products offered in the wider market, and its own costs.

Having considered all this information, I'm satisfied that NatWest considered whether its fixed interest rate products offered fair value to different groups of customers. I'm also satisfied that it treated Mr F and Miss B the same as it treated all its customers with similar characteristics – that is, existing customers with a loan to value of less than 60%.

A lower interest rate on their mortgage would of course save Mr F and Miss B money. However, they chose to take a 5.65% two-year fixed rate. NatWest told them when they chose that rate how much it would cost them each month and what the cost would be in terms of an early repayment charge if they change rates or repay the mortgage during the fixed interest rate period. Mr F and Miss B chose to go ahead.

For these reasons, I don't consider that NatWest treated Mr F and Miss B unfairly in not offering them interest rate products it had available to other groups of customers or in not agreeing to reduce their interest rate when they complained.

I've noted what Mr F and Miss B have said about why they couldn't move their mortgage to another lender. On their complaint form they said they "don't want to go anywhere else [as they and their family] have over 160 years banking with NatWest". They have since said that one of them is ill and vulnerable, and unable to deal with the process of remortgaging. I was sorry to read about their situation. Their circumstances don't mean, though, that NatWest must make different or particular interest rate products available to them. Their circumstances do mean that NatWest should treat them fairly and see what assistance it can offer if they ask it or if they fall behind with their mortgage payments, or if they need additional support because of their vulnerability. But I don't find that I can reasonably require it to reduce the interest rate Mr F and Miss B selected or offer a different rate.

Mr F and Miss B have also pointed out that the government has asked mortgage lenders to support their customers given recent increases in the cost of living. This is why the government published the Mortgage Charter in June 2023. But the government hasn't told lenders that they must offer all customers or potential customers the same interest rates, or lower interest rates, and the Mortgage Charter doesn't include a requirement that they do so.

Mr F and Miss B have said that they received a circular mailing from NatWest about the options of switching their mortgage to interest-only temporarily or extending the term. They think these are unhelpful suggestions, because doing either would cost them more overall. They're right about the additional cost of either of these options. But those options, which are set out in the Mortgage Charter, would result in reduced monthly payments in the short term, and that can be of help to some borrowers.

There is other assistance NatWest may be able to offer Mr F and Miss B if they're struggling to afford their mortgage payments. The introduction of the Mortgage Charter doesn't mean that the options specified in the Charter are the only ones available. NatWest directed Mr F and Miss B to sources of support and information in its final response letter. If they are struggling with their mortgage payments, I think it's for them to contact NatWest in the first instance to see what it can do to help.

Finally, Mr F was unable to access NatWest's app when he was looking for a new interest rate, and I've noted what he has said about NatWest's failure to log this complaint when he first made it. NatWest's records indicate that it has since updated Mr F's phone number on its records. It has paid £100 compensation by way of apology, and I don't find any grounds on which I can fairly require it to do more than that.

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 Miss B and Mr F to accept or reject my decision before 10 March 2025.

Janet Millington
Ombudsman