

## The complaint

Ms P and Mr P have complained that National Westminster Bank Plc didn't give them notice their fixed interest rate product was coming to an end on their mortgage. They're also unhappy about what happened when they tried to put a new product in place, and they say that NatWest didn't give sufficient notice of an increase in the monthly payment as required under the direct debit guarantee.

Whilst the mortgage was held in three names, only Ms P and Mr P have brought this complaint to our service, and we've mainly dealt with Ms P. So, any reference to Ms P in this decision should be taken to mean all the mortgage holders where appropriate.

## What happened

This mortgage has been held with NatWest since March 2009. I understand the mortgage was held on an interest only basis and the original mortgage term ended in March 2018.

In 2019 a term extension on a repayment basis was agreed. The mortgage offer dated 21 January 2019 shows an outstanding balance of around £65,560 which was to be held on a repayment basis over a term of 18 years and 8 months. The interest rate was noted to be a fixed rate of 2.44% until 31 March 2024, after which it would revert to NatWest's standard variable rate ("SVR"). The offer said there would be an early repayment charge ("ERC") if the mortgage was repaid, or transferred to a different product, before 31 March 2024 with that being on a sliding scale from 5% of the outstanding balance until 31 March 2020, down to 1% of the outstanding balance until 31 March 2024.

Mortgage statements were sent to Ms P in March each year, and the contact notes indicated that in July 2022 a redemption statement was requested, which was sent to Ms P's email address.

A letter was generated on 2 April 2024 which was intended to be sent to Ms P to say the current preferential interest rate had come to an end and the new payment from 28 April 2024 would be £514.59 as the mortgage had moved to the SVR. Due to the fact the three mortgage holders' names are too long, when all combined, to auto-generate on letters NatWest has to undertake a manual process when writing to Ms P to amend the letters. Unfortunately that meant the letter was only sent to Ms P on 15 April 2024. In our complaint form Ms P said this letter was received by them on 22 April.

The direct debit at the higher amount was collected on 29 April 2024.

Ms P raised a complaint on 3 May about the lack of notice of the rate ending and the payment increasing, which NatWest responded to on 9 May 2024 not upholding it.

In the meantime, Ms P applied for a new preferential interest rate, a process that was delayed due to an issue, again, with there being three mortgage holders. Ms P raised a further complaint that the process was unclear and said she'd received confirmation the signatures had been verified, with no chasers sent. NatWest's notes indicate it agreed to

backdate the selected rate to 3 May and it keyed an interest credit for the period of the delay and issued a refund for an overpayment.

The new preferential interest rate was fixed at 4.94% until 31 August 2026, and a £995 product fee was added to the mortgage balance.

The complaint was looked at by one of our Investigators who thought NatWest should allow Ms P to choose a different product which was available to her in the six months prior to the rate ending and backdate that product to start from 1 April 2024.

NatWest agreed to that and confirmed the lowest equivalent fixed rate it had available to be chosen between 1 October 2023 and 31 March 2024 – as six months before a rate ends is the earliest it makes new rates available to be reserved – was 4.64% which would run until 30 April 2026. It said, if Ms P was in agreement, it would remove the 4.94% fixed rate and replace it with the 4.64% fixed rate, backdating that to 1 April 2024. It said any overpayments could either remain on the mortgage account as an overpayment, or be refunded to Ms P.

Ms P didn't agree and so the case was passed to me to decide.

### **What I've decided – and why**

In December 2024 I issued a provisional decision, the findings of which said:

"I trust Ms P won't take it as a discourtesy that I've condensed this complaint in the way that I have. Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Before I go any further, I should explain that I agree with our Investigator's view that it is good industry practice for a lender to write to a mortgage holder in the months before their rate is due to end to remind them of the rate end date, and it is something that is set out in the Mortgage Charter. As NatWest allowed borrowers to reserve a new rate six months before their current rate ends, I also agree that is the point it would have been ideal for the notification to have been sent to Ms P. And, had that happened, I think Ms P would have selected a new fixed interest rate product in that six-month period and that rate would have started on 1 April 2024.

NatWest agreed with our Investigator's findings and said the lowest rate it had in the six-month period, that was equivalent to what Ms P took in May 2024, was a rate fixed at 4.64% until 30 April 2026.

I've thought about this point very carefully. Ms P hasn't given us a reason why she wouldn't have selected, in the period running up to April 2024, a rate that was broadly equivalent to the one she chose in May 2024 (that is a rate fixed for a period of around two years, with a £995 product fee that was to be added to the mortgage). In absence of any such arguments I'm satisfied it is more likely than not – which is the test I must use – that Ms P would have applied for a rate broadly equivalent to the one she took in May 2024.

It seems the problems Ms P has encountered flow from the fact NatWest has to manually adjust the letters that are sent due to the combination of the three mortgage holders' names being too long to generate automatically. I understand NatWest has said that it will update the email addresses it holds on its systems so future product end notifications will be sent via email. That seems like a sensible way forward, and I'd encourage Ms P to

keep NatWest updated if any of the email addresses for the mortgage holders change so those can be updated on NatWest's system.

Ms P has said the mortgage statements should contain the end date of the fixed rate and provided some extracts from MCOB to support her stance. But there's nothing in the extracts she's provided that says the end date for any preferential rate should be included. The only mentions of dates/terms relate to the overall remaining term, when any ERC ends, and the date on which the requirement for the customer to purchase any tied products ends.

Ms P's statements showed the overall term remaining (16 years and 8 months in March 2021), the end date of the ERC ('As of 01 April 2024 any early repayment charges will cease to apply'), and there were no tied products so that part isn't relevant.

MCOB says the rate of interest needs to be included, and the dates on which the rate of interest changed. But it doesn't say the statement must also include the date on which the rate of interest will change in the future.

So having considered this part of the complaint I'm satisfied the mortgage statements met the requirements of MCOB.

The issue here was that NatWest intended to send Ms P notification six months before the rate was due to end to give her time to select a new interest rate product, but that letter wasn't sent.

Ms P has said had she received that notification in advance she could have looked at other mortgage providers. Whilst I've considered this point very carefully, I'm not persuaded by it. This mortgage has been held with NatWest since 2009 and the circumstances of the mortgage holders are such that they would be unlikely to fit with many mainstream lenders' lending criteria (due to the age of one of the parties). The rates NatWest was offering in the six month period weren't out of line with those on offer from other similar lenders so I don't think it is likely, which is the test I must use, that Ms P would have found an alternative lender that was willing to lend on the same basis, at an interest rate that was significantly better such that it would be worth the additional work involved in remortgaging to another lender.

Ms P has said that had she been aware of the end date of the preferential interest rate product then she would have remortgaged two years earlier as she thought rates would be going up, and she's shown us that she chose to do that with a buy to let ("BTL") mortgage she also holds.

But as I set out above, the statements NatWest issued were in line with the requirements set out in MCOB, and I would only expect it to remind a customer of a rate ending around six months ahead of the end date – so here that would have been around the start of October 2023. NatWest issued a mortgage offer to Ms P in 2019 that set out the details of her product, and it had no requirement to remind her of the end date of that interest rate in the years before it would end.

There was nothing stopping Ms P remortgaging at any time since 2019 if she was able to find a new mortgage provider and was willing to pay the ERC on the NatWest mortgage. I can't see what difference it would have made to her decision making on that point if the end date of the fixed rate had been on the mortgage statements. In any event, the mortgage statements showed when the ERC would end (being 1 April 2024).

Ms P has said she strongly felt mortgage rates were going to go up and, on that basis, she ended her existing BTL mortgage rate early (paying an ERC to do so). If Ms P wanted – and was able – to do the same with this NatWest mortgage then she could have simply referred back to her original mortgage offer to see when her rate ended, or if she couldn't find her mortgage offer she could have asked NatWest for the information. The contact notes also show a redemption statement was emailed to Ms P at her request in July 2022.

There is nothing to indicate Ms P would have remortgaged around 2022 *but for* her mortgage statements not showing the end date of her fixed rate, and when the rate would end would have been irrelevant if Ms P always would have ended it early as she thought rates were going to increase. If I was to follow Ms P's argument through, she is saying she knew she was in a fixed rate of 2.44% (albeit says she didn't know the exact end date), knew she was willing to pay an ERC to get out of it, and thought rates were going to increase. So it isn't clear why, knowing all that information, Ms P didn't remortgage in 2022 if she was able to do so. I don't think that knowing exactly when the rate was due to end would have added anything to Ms P's decision making as to whether to look at remortgaging, as it doesn't seem to be a relevant factor if she was going to pay the ERC anyway. Or if knowing the exact end date of her rate was such a deciding factor, as Ms P has now said it was, why she didn't ask for that information at the time.

Ms P said she incurred overdraft fees due to the higher payment being collected on 29 April. We asked Ms P for evidence of that and she sent us a document showing she'd incurred £35 in overdraft fees, with her covering email indicating that she wished to claim that entire £35. But the statement of fees Ms P provided covers an entire year (from 1 July 2023 until 30 June 2024), and that £35 was incurred across the year by Ms P being in her overdraft for 119 days of the year. We know Ms P was back out of her overdraft by the time the May 2024 payment was made as she's provided us a screenshot showing both that payment and her balance at the time.

I must also keep in mind that Ms P has said, in our complaint form, that she received the letter setting out what the payment on 29 April 2024 would be on 22 April 2024; so a week before the payment was collected. Although that isn't the full 10 working days Ms P has said she should have got, it was still advance warning and gave her time to ensure she wouldn't go into her overdraft if she had the funds to avoid it. Something else I must keep in mind is that Ms P's payment would never have remained at the level it had been since 2019, even if she had arranged a new fixed interest rate ahead of the rate ending. The payment would always have been higher as fixed rates had increased since then.

That brings me onto Ms P's complaint that the direct debit change notification letter was dated 15 April 2024 (for a payment that would be collected on 29 April) and so didn't give the 14 days Ms P says was required under the direct debit guarantee. She's said it needed to be printed and posted in advance of the 14 days, so she received it by 15 April 2024.

Ms P told us she received the letter on 22 April, and the payment wasn't due until 29 April. NatWest has said the letter was sent on 15 April and, as our Investigator explained, we can't hold NatWest liable for any delays in the post. Second class mail should take two to three days (including Saturdays) so a letter posted on 15 April should have reached Ms P on 18 April at the latest. Whilst that is less than the ten working days referred to in the original direct debit mandate Ms P signed, and that Ms P has focussed on, it doesn't seem likely this would have made a difference to the overall outcome of this complaint.

As I said previously, Ms P has said she received the letter on 22 April so she was on notice, before the higher payment was collected, what the new payment would be. We don't award compensation just because there is a technical breach of any rules, regulations, standards or guidelines. Instead we look at the overall circumstances of the complaint and as part of that we think about whether any breach has had a material impact on the outcome. Here I don't think the situation would have been materially different if the letter had been posted to Ms P on 11 April rather than on 15 April (to allow for the three days delivery time) and so I don't need to make any findings on whether or not I feel NatWest acted in line with the direct debit guarantee.

Finally, Ms P has said she had to make two higher payments at the SVR and that hasn't been addressed. But I don't agree it hasn't been addressed. The offer from NatWest is to backdate the new lower rate to 1 April 2024. It will then rework Ms P's mortgage account to work out how much she overpaid both with those two higher payments, and also with the fact she is currently on a rate fixed at 4.94% rather than fixed at 4.64%. Once that calculation has been completed NatWest will give Ms P the option to either leave the extra payments on the mortgage account as an overpayment, or to have them refunded to her.

So although Ms P has currently made two higher payments, if she accepts this decision, then she will either receive that difference back (compared to what she should have paid based on an interest rate of 4.64%) or she can instead leave the payments on the mortgage account as an overpayment.

As I'm satisfied the offer put forward by our Investigator, and agreed to by NatWest, already redresses this issue there is nothing further I need to order NatWest to do."

NatWest accepted my provisional findings and said it had no further comments to make. Ms P also accepted my provisional findings and said she would prefer the overpayments to be refunded to her, rather than being left as a credit on the mortgage account.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and having considered the full file afresh, I see no reason to depart from the findings I reached in my provisional decision.

### **Putting things right**

To put things right, National Westminster Bank Plc should remove the 4.94% fixed rate from Ms P's mortgage account and replace it with a rate fixed at 4.64% until 30 April 2026.

The account should be reworked as if that rate had taken effect from 1 April 2024, and any overpayment should be refunded to Ms P. Interest should be added at 8% simple interest \* on each overpayment from the date the payment was made to the date of settlement.

\* NatWest may deduct income tax from this element of my award, if it considers it should do so. But it should give Ms P the necessary paperwork for her to reclaim the tax from HMRC if she's entitled to do so, if she asks for it.

**My final decision**

I uphold this complaint and order National Westminster Bank Plc to resolve it as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P and Mr P to accept or reject my decision before 5 February 2025.

Julia Meadows  
**Ombudsman**