

The complaint

Ms J's complaint relates to a mortgage she has with National Westminster Bank Plc (NatWest). She has told us that NatWest didn't co-operate with her application for Support for Mortgage Interest (SMI) and caused an eight-month delay in her claim being accepted and payments made. When the Department of Work and Pensions (DWP) sent a lump sum to cover payments from the beginning of her claim, NatWest returned it. This delayed her receiving a refund of the money she had paid in the meantime to ensure the mortgage didn't go into arrears.

In addition, Ms J is unhappy that NatWest didn't change the amount of her direct debit when monthly payments started being made, and she had to make numerous calls to it in order to get a refund of monies that should not have been collected from her. She has also said that when she was trying to get this refund, NatWest told her to "go ask the ombudsman for it." Overall, Ms J doesn't believe that NatWest supported her as it should have.

What happened

Ms J took out her mortgage with NatWest in the summer of 2019. By 2023 her circumstances had changed, and she applied to the DWP for assistance with her mortgage payments. She sent NatWest the application (MI12 form) for it to complete the details about her mortgage and return it to the DWP. NatWest's records show that it did so on 18 August 2023. I won't go into all the details of what happened thereafter, but the DWP didn't receive the form NatWest initially completed. Further interactions occurred between NatWest and Ms J thereafter, which ended up with Ms J complaining about the situation.

NatWest responded on 4 April 2024. It said that it had completed the form when it had been initially received and returned it – it could not be held responsible if it was not received by the DWP. It said it did not receive the further form in October 2023 and the January 2024 copy had not been complete, so it couldn't do what it needed to do. NatWest was satisfied it had done what it should have in relation to the MI12 form. However, it apologised for some poor service Ms J received in relation to some calls she made to it and paid her £150 compensation. Ms J referred the complaint to this Service – we didn't think NatWest needed to do anything more.

Ms J sent NatWest another MI12 form in May 2024, which it completed and sent to the DWP. Mrs J was sent confirmation on 29 May 2024 from the DWP that her application had been accepted. She was told that a lump sum to cover the payments due from the point the application had been made would be sent to NatWest. She contacted NatWest at the beginning of June 2024 about having the money refunded to her, as she had already paid the full contractual monthly payment (CMP) and to enquire what she would have to pay going forward. NatWest confirmed it hadn't received a payment from the DWP. It was later confirmed that a payment for the correct amount had been received on 10 June 2024, but as the DWP had not used a valid reference the payment had bounced back to the DWP. Ms J telephoned NatWest every few days during June 2024 about the situation.

The replacement DWP lump sum cleared into Ms J's mortgage account on 25 June 2024. As Ms J had already paid the DWP portion of the mortgage for the period the payment was to cover, NatWest refunded the amount of those payments the following day.

Ms J complained that NatWest had returned the DWP back-payment and had delayed her receiving the benefit she was entitled to. She was also concerned that some other payments had not been applied to the account and about the service she had received during some telephone calls with NatWest.

NatWest responded to the complaint on 4 July 2024. It said that the back-payment made by the DWP had only been received into her account once – on 25 June 2024 – and that amount had been refunded to Ms J the following day. In relation to the additional payments Ms J believed the DWP had paid in June 2024 and should have been credited to her account as June and July SMI payments, it was confirmed that no such payments had been received. NatWest upheld Ms J's concerns about the service she had received in three telephone calls with it in June 2024; it apologised and paid her £250 compensation. Ms J has not mentioned the issues the compensation was paid for in her complaint to this Service.

The regular payments from the DWP started to be made in July 2024. However, in July and August 2024 NatWest claimed the full mortgage payment from Ms J's bank account, rather than the difference between it and the DWP payment. The amount of the DWP payments were refunded to Ms J seven days after collection for the July payment and 13 days later for August. Ms J complained and at her request the direct debit mandate was cancelled, so that she could make manual payments to ensure that she only contributed the correct amount.

NatWest responded to the complaint in a letter of 18 September 2024. It explained that in July 2024 it had collected the full CMP because the DWP payment had not been received by the time the CMP was due. However, the collection of the full payment in August 2024 had been a mistake on its part. NatWest confirmed it had refunded the surplus amount collected for those two months and it also confirmed it would pay interest for the period that Ms J had been without those funds. In addition, NatWest paid Ms J £200 compensation for the distress and inconvenience she had suffered.

Ms J referred the complaint to this Service. When she did, she said that NatWest had not answered all of the complaint points she'd raised and there were inaccuracies in the letter, for example NatWest only looking at calls up to 8 July 2024, whereas she had been making calls to resolve the issues until 24 September 2024.

One of our Investigators looked into Ms J's complaint. He explained that he would not be considering her concerns about the completion of the MI12 form, as we had already considered that complaint. In relation to the events from May 2024, the Investigator thought that NatWest had predominantly treated Ms J fairly. However, he concluded that collecting the full contractual payment in July and August 2024 had not been reasonable, but he thought the £200 compensation, plus the interest paid, was reasonable.

Ms J didn't accept the Investigator's response and asked that the complaint be referred to an Ombudsman. She said NatWest had lied and the lump sum from the DWP had been received by NatWest on 11 June 2024 and had been kept in a suspense account. Also, initially it had said it could not refund the money to her, and it had to be applied to the mortgage account as an overpayment. She also disagreed that NatWest should have changed her to making manual payments in June 2024 as what it should have done was amend the direct debit correctly.

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 would initially confirm that I will not be commenting on the part of Ms J's complaint about what happened in relation to the completion of the SMI forms, as we have already considered that complaint.

As Ms J noted in several of the conversations with NatWest, an SMI payment has to be made direct to a consumer's lender. A lender is not, in most circumstances, allowed to pass any part of such payments on to its borrower, even where the payment exceeds the amount of interest being charged on the mortgage. Any surplus has to be used to reduce the capital balance on the account. So when Ms J initially asked for a refund of the SMI payment, that may well have been the automatic response she received. However, I am satisfied that when the full situation was considered, NatWest agreed to refund the amount of the SMI to her.

Ms J highlighted in her response to the Investigator that the payment was not received by NatWest on 25 June 2024, but rather on 11 June 2024. It does appear that the initial payment made by the DWP was received around that time, but as Ms J is aware, the DWP made a mistake when it sent the payment, and it bounced back to the DWP. NatWest can't be held responsible for any delays that the DWP mistake caused. In addition, I would confirm that payments from the DWP are not same day transfers, as for example a faster payment Ms J would make from her bank account would be. So when the DWP sent the replacement payment it would have taken up to five working days to reach NatWest's suspense account and would then have needed to be credited to Ms J's mortgage account. Until that happened, NatWest could not have processed the refund to Ms J. The refund happened the day after the SMI payment was credited to Ms J's mortgage account. None of the evidence I have indicates that NatWest caused any delays in this process, and I can't, therefore, find it did anything wrong.

In relation to the monthly payments, until either a pattern of payments could be identified, or the DWP provided a schedule of payments, NatWest would not know what payments would be received and when they would be received. The DWP did not provide the schedule of payments that NatWest requested. The first monthly payment was received after the June 2024 mortgage payment was due and so it was reasonable for NatWest to collect the full payment from Ms J up to this point.

The first monthly SMI payment was credited to Ms J's account in July 2024. Given that NatWest had not been given a schedule of payments from the DWP, and this was the first payment, I don't think it was unreasonable for the full monthly payment to have been collected in July. I note that when the situation was highlighted to NatWest, the "overpayment" was refunded within a reasonable period of time. NatWest also confirmed in its letter of 18 September 2024, that it would be paying interest on the refunded amount. I don't think it needs to do anything further in respect to the July 2024 payment.

However, by the time the August 2024 payment was collected from Ms J, NatWest was aware that monthly payments were being made. This had been highlighted to it when Ms J had asked for a partial refund of the amount that had been collected from her in July 2024. I am satisfied that by the time the August payment was collected, NatWest should have amended the direct debit mandate to collect only Ms J's contribution to the monthly payment. NatWest has acknowledged that it made a mistake in relation to this payment. It also took longer for that "overpayment" to be refunded to Ms J when she raised the issue. As with the July 2024 overpayment, NatWest confirmed it would pay interest for the period Ms J was without the money.

This situation should not have happened. It was also clearly frustrating to Ms J and led to her direct debit mandate being cancelled. She shouldn't have felt she needed to do this had NatWest done what it should have. As such, I consider that Ms J should receive compensation for the upset and inconvenience she was caused. While I know that Ms J is unlikely to agree with me, I think the £200 NatWest paid is sufficient in the circumstances.

I have listened to the numerous telephone calls between Ms J and NatWest about both the refund of the amount of the SMI back-payment and the monthly collection for the subsequent period. While Ms J has said she was crying in many of these calls and mentioned suicidal thoughts was made, I have only identified one call in which Ms J was upset and no mention of suicidal thoughts. This upset appears to have been caused by NatWest's questions about her health situation, rather than the general situation with the ongoing SMI problems. Ms J had introduced in the conversation that she was very unwell in hospital – NatWest asked if it could note that on its records and invited her to give it more information about the situation so that it could ensure it made any adaptations it could to support her. NatWest is required to tailor its approach in order to support vulnerable customers. So, while I acknowledge that Ms J found NatWest asking questions upsetting, I don't think it was inappropriate for it to have done so and I can't criticise it for what it was trying to do.

Ms J has said that she was told to come to this Service to get the August overpayment back. I have listened to the call and that is not the case. Ms J was understandably expressing her unhappiness about having to ask for a partial refund again, after the discussions about the previous month's payment. She had been told that the request would be sent to another team as the person she was speaking to could not complete the refund. She asked if she should go to the FCA, as NatWest's regulator, about the fact the issue was ongoing, and it was not fixing it. NatWest said she would *"Probably be better off speaking to the Financial Ombudsman Service and they will be able to guide you."* So I am satisfied that Ms J was not told that she would have to come to this Service to get the refund she was entitled to. While what was said was clearly not received in the manner intended, I think the member of staff Ms J was speaking to was trying to be helpful.

Overall, although NatWest made errors when dealing with the SMI payments and its communications with Ms J, I am satisfied that what it has already done is sufficient to settle the complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms J to accept or reject my decision before 12 May 2025.

Derry Baxter
Ombudsman