

The complaint

Ms D believes she was treated unfairly by National Westminster Bank Plc (NatWest) when it declined her application to port (transfer) her mortgage interest rate product onto a new mortgage on another property. Ms D says this is “*sharp practice*” by NatWest, and that the bank did this intentionally in order to ensure she had to pay an early repayment charge (ERC) on redemption of her previous mortgage.

To settle the complaint, Ms D wants NatWest to reimburse the ERC, and pay the difference between the mortgage interest she would have paid with NatWest and the interest she is now paying with her new lender, for the next two years.

What happened

I don’t need to set out the full background to the complaint. This is because the history of the matter is set out in depth in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it’s important I don’t include any information that might lead to Ms D being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Ms D and her husband, Mr D, had a joint mortgage with NatWest taken out in 2021. They borrowed £475,995 over a 15-year term on a capital repayment basis. The first five years of the loan were on a fixed interest rate product of 0.98% until 30 November 2026. If the loan was repaid during that period, an ERC would apply. However, the interest rate product could be transferred to a new mortgage on another property, subject to any new application meeting NatWest’s lending criteria, including credit checks.

In 2024 Ms D and Mr D were divorcing and selling the property on which the mortgage was secured. In May 2024 Ms D applied to NatWest for another mortgage and asked to port the interest rate product onto this new mortgage. The bank declined the application, due to Ms D failing the bank’s credit scoring. Ultimately Ms D had to arrange a new mortgage with another lender at a higher interest rate, and paid an ERC to NatWest on redemption of the mortgage.

Ms D complained to NatWest that its decision had been unfair, with detailed reasons why she believed this to be the case. Ms D was also unhappy that the valuation fee hadn’t been refunded to her more quickly.

In its final response letter NatWest explained why the application had been declined. The bank clarified that porting an interest rate and being offered a new mortgage were dependent on meeting lending criteria. The bank also explained that, although it had indicated how much it might be prepared to lend to Ms D at the outset, and that it would, as an exception, use a higher salary figure for her, it had always been made clear to Ms D that the application would need to be assessed against lending criteria. As a result of the credit check, the application was declined, and NatWest therefore wasn’t able to provide Ms D with the mortgage she wanted. NatWest declined to refund the ERC.

NatWest also noted that the valuation fee had been refunded, but that this taken longer than expected. NatWest paid compensation of £50 for this.

Unhappy with NatWest's response, Ms D referred her complaint to our service. An Investigator looked at what had happened, but didn't recommend the complaint should be upheld. He was satisfied that NatWest was entitled to apply its lending criteria to this application, and there was therefore no basis on which he could recommend a refund of the ERC. He thought the £50 refund for the short delay in refunding the valuation fee was fair.

Ms D disagreed with the Investigator's findings and provided further arguments. Ms D says that NatWest had told her the application had been approved by the underwriters and sent a screenshot of a text message which she said supported this. The Investigator explained that this wasn't an approval of a mortgage offer – rather it was confirmation NatWest would review the mortgage application for a higher amount because the underwriter had agreed to make an exception to use a recent salary increase as current income, rather than needing to wait three months for this. But after the credit search came back, the bank wasn't able to go ahead.

Ms D asked for an Ombudsman to review the complaint. She said she felt "*fobbed off*" by the Investigator, and said that we needed to review three Zoom calls she'd had with the bank. Ms D said that the bank failed to take into account her credit history, or her personal circumstances. She said that the bank knew her situation was only temporary, while she was navigating a divorce and property settlement. Ms D said that underwriters had approved her application "*every step of the way*" and that it was only declined based on a computer credit reference score, due to "*a computer algorithm*". Ms D says that, even then, her credit score was good.

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.

Although the original mortgage was in the joint names of Ms D and Mr D, the complaint is about how NatWest dealt with Ms D's sole mortgage application, including porting the interest rate from the previous mortgage. But as Mr D wasn't applying for the new mortgage, it isn't therefore necessary to have him on this complaint.

I confirm I've taken everything Ms D and NatWest have said into account. The Zoom calls to which Ms D refers are not available, as these are not recorded. However, I'm satisfied that the evidence is sufficient to enable me to reach a fair decision on this case.

First of all, I'm satisfied that the £50 compensation for the slight delay in refunding the valuation fee is fair and reasonable. I'm not going to order NatWest to pay anything more in relation to this aspect of the complaint.

The main focus of Ms D's complaint is that she believes NatWest unfairly declined her application, based purely on her credit score, when she believes underwriters had already approved it. Ms D's belief is that NatWest did this deliberately, even though it was satisfied she met its lending criteria, in order to force her to pay the ERC.

NatWest is entitled to set its own lending criteria. Decisions that NatWest makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for its own commercial judgement that I cannot interfere with. I have no power to overturn

NatWest's lending decision where it has been made fairly, or substitute my own lending decision for that of the bank.

I'm satisfied NatWest's mortgage documentation is clear that any application to port the interest rate product onto a new mortgage is subject to the application meeting the bank's lending criteria applicable at the time of the application, and that credit checks will be carried out. I'm also satisfied that, throughout the application process, NatWest was clear that the application was subject to being assessed against its lending criteria.

Ms D believes a text message she received confirmed the application had been agreed. The message says: "*exception has come back as agreed to use the higher figure, speak tomorrow!*" The message followed the bank being asked to consider a higher salary figure that Ms D had just been awarded on a promotion. Generally the bank will require this to have been paid for three months. Although Ms D says that she took this as confirmation the mortgage application had been agreed, I'm not persuaded this was a reasonable conclusion to reach. According to the bank's internal notes, this happened early on in the application, and before a valuation had been carried out.

I'm satisfied that, once the application was declined due to Ms D's credit score, the bank gave further consideration to the application to see if an exception could be made. As part of this, the bank recognised the impact on Ms D due to the ERC, and therefore explored all avenues to see if the decline could be overturned. However, even after reconsideration, NatWest's decision was that it was not prepared to offer Ms D a mortgage. That is a decision the bank was entitled to reach, and one I have no power to second-guess or overturn. I'm satisfied this decision was made fairly. It wasn't simply based, as Ms D has claimed, on an algorithm, or "*computer says no*" mentality on the part of NatWest. Nor was the decision taken to ensure Ms D would have to pay the ERC no matter what.

Given this, I'm unable to find there is any basis on which it would be fair or reasonable to order the bank either to refund all or part of the ERC, or to compensate Ms D for the additional interest she will pay on her new mortgage. I know this isn't the outcome Ms D was hoping for, and I don't underestimate her strength of feeling about how unfair she believes the bank's decision was. But after careful consideration of all the evidence, I'm unable to uphold her complaint.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 18 March 2025.

Jan O'Leary
Ombudsman