

## **The complaint**

Mr and Mrs W are unhappy that they were given incorrect information about their mortgage by National Westminster Bank Plc. Mr and Mrs W say that, as a result, they have suffered financial detriment, for which they would like the bank to compensate them.

## **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 the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, NatWest has accepted it made an error, and has offered to put things right. Therefore I don't need to analyse the events in depth in order to determine whether or not the bank is at fault; all I need to decide is whether NatWest has done enough to put things right, or if there is more the bank needs to do.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs W 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.

In December 2023 Mrs W spoke to NatWest about the mortgage. She and Mr W had applied for cost of living support by switching their mortgage to interest-only for six months, as provided for by the Mortgage Charter. Mrs W wanted to check they wouldn't be tied into a new interest rate product when their existing rate expired at the end of that month. NatWest confirmed the rate was due to expire at the end of December, but from what they could see, no new rate had been applied for and so the mortgage would move onto Standard Variable Rate (SVR).

However, this wasn't correct, because Mr and Mrs W had, in fact, applied in August 2023 for a new five-year fixed rate of 5.58%, due to take effect on expiry of their existing rate. This meant that Mr and Mrs W wouldn't be free to 'shop around' for a better rate with another lender, as their mortgage was due to revert to the new rate on 1 January 2024.

Mr and Mrs W also say they believed their payments under the cost of living arrangement would be at the 1.94% of their interest rate product. However, as this expired in December 2023, and the mortgage moved onto the new 5.58% product, payments from then on were calculated at that rate. If the mortgage had moved onto SVR, the payments would have been higher.

Mr and Mrs W complained about the incorrect information. NatWest acknowledged it had made an error. The bank offered Mr and Mrs W the option of removing the 5.58% interest rate product and waiving the early repayment charge (ERC), allowing them to move to a new lender. NatWest said, however, that it would need to recalculate the mortgage as if it had moved onto SVR in January 2024, with Mr and Mrs W paying the difference. NatWest also offered compensation of £500 for distress and inconvenience.

Mr and Mrs W didn't accept this and raised their complaint with our service. Initially the Investigator thought NatWest's offer was fair, as it would put Mr and Mrs W back in the position they'd have been in if they had, as they had believed, moved onto SVR from January 2024.

Mr and Mrs W didn't think this was a fair outcome. The Investigator reviewed the matter. He thought it likely that Mr and Mrs W would have opted to take out another fixed rate when their existing one expired in December 2023. He also noted that the Mortgage Charter allowed borrowers to lock in a new deal (which Mr and Mrs W had done in August 2023) but also provided that borrowers could switch to a better deal right up until the new product started.

The Investigator noted that NatWest had a 4.94% rate in December 2023 that would have been available to Mr and Mrs W, and noted that they could have switched to that. It had the same fee and same loan-to-value ratio as the 5.58% product they'd chosen in August 2023.

Therefore the Investigator recommended the following outcome. He said that Mr and Mrs W could decide to:

- keep things as they were, on the rate of 5.58%, with an ERC if they wanted to move to a new lender during the fixed-rate term; or
- remove the 5.58% rate, with NatWest recalculating payments at SVR, with Mr and Mrs W making up the difference in payments. They could then move to another lender without incurring an SVR; or
- remove the 5.58% rate and substitute the 4.94% rate, with NatWest recalculating the balance based on payments made. An ERC would be applicable if Mr and Mrs W switched to this product and later decided to move to another lender within the fixed-rate period.

The Investigator also thought the £500 compensation was fair and reasonable.

NatWest agreed to this, but Mr and Mrs W still didn't accept this. They say that rates have come down since January 2024 and so the bank should look to put them on the best rate available now.

### **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.

Having done so, I've reached the same conclusion as the Investigator, for broadly the same reasons.

First of all, NatWest has acknowledged it made a mistake when it told Mrs W that the mortgage would move to SVR in January 2024. Where a mistake has been made, we try to put the consumers in the position they'd have been in if the mistake hadn't been made.

Having taken note of everything Mr and Mrs W have said, I think it's more likely than not that if they'd moved onto SVR in January 2024 they'd have looked for a new rate – maybe with NatWest or possibly with another lender. But given that their mortgage repayments would have increased substantially on SVR (from about £360 on the 1.94% fixed rate which expired in December 2023 to about £1,510 on SVR from 1 January 2024), I am not persuaded that Mr and Mrs W would have delayed in putting a new rate in place.

Looking at historic interest rates, the average five-year fixed rate in December 2023 was 5.65%. So whilst I've noted what Mrs W has said about how interest rates have since fallen, given that their repayments on SVR would have increased substantially, I'm not persuaded, on balance, that Mr and Mrs W would have stayed on SVR for months while they waited for rates to drop even further. Overall, and looking at historic rates, it seems the 4.94% that they could have switched to in December 2023 would have given them the most favourable outcome, as this had the same product fee and LTV as the 5.58% product.

If, however, Mr and Mrs W *do* want to choose a rate that's now available, then the option the bank has given them to have their mortgage recalculated as if it had moved onto SVR on 1 January 2024, with no ERC, would allow them to do this. Mr and Mrs W would, of course, have to make up the difference in repayments, as NatWest's SVR is higher than the 5.58% rate they are currently on.

I'm satisfied that NatWest has made a fair offer to settle this complaint, and I'm therefore not going to order the bank to do anything further.

### **Putting things right**

Three options are available to Mr and Mrs W. Within 28 days of the date of acceptance of this decision, Mr and Mrs W will need to let the bank know which option they are choosing. They can decide whether or not to:

- keep things as they are, on the rate of 5.58%, with an ERC if they want to move to a new lender during the fixed-rate term; or
- remove the 5.58% rate, with NatWest recalculating payments at SVR, and Mr and Mrs W making up the difference in payments. They can then move to another lender without incurring an SVR; or
- remove the 5.58% rate and substitute the 4.94% rate that was available in December 2023 with effect from 1 January 2024, with NatWest recalculating the mortgage account balance based on payments made. An ERC will be applicable if Mr and Mrs W switch to this product and later decide to move to another lender within the fixed-rate period.

I agree that Mr and Mrs W were also caused distress, inconvenience and upset by NatWest's error. I see the bank has offered compensation of £500 for this, which I think is fair, reasonable and proportionate in all the circumstances. I direct NatWest to pay this sum to Mr and Mrs W, if it has not already done so.

### **My final decision**

My decision is that I uphold this complaint. I direct that the complaint be settled as detailed above, contingent on whichever option Mr and Mrs W choose. I make no other order or award.

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 Mr and Mrs W to accept or reject my decision before 3 April 2025.

Jan O'Leary  
**Ombudsman**