

## **The complaint**

Ms C complains that National Westminster Bank Public Limited Company trading as Ulster Bank (UB) told her in error that a previous complaint she had made about her mortgage had been reactivated, which meant that her switch to a new fixed rate was delayed. She would like UB to honour the rate she was offered in June 2022. Ms C also complains that payments towards her mortgage from the Department of Work and Pensions (DWP) stopped because UB did not return the forms to the DWP.

## **What happened**

On 4 March 2022, Ms C contacted UB in relation to securing a new rate for her mortgage. At this stage, her mortgage was around £45,000 in arrears.

An appointment with a mortgage adviser was arranged for 15 June 2022. The mortgage adviser submitted a request that Ms C be offered a rate from those which had been available in March 2022, but this was declined. The adviser noted that, although a rate could not be offered from those which were available in March 2022, the new rate of 2.8% fixed for two years (which was available at the time of the appointment in June 2022) would be backdated to 4 March 2022. Ms C made a complaint about UB refusing to offer the rates from March 2022. The rate switch was put on hold pending the outcome of this complaint.

UB issued its response on 5 August 2022. Although UB rejected the main part of Ms C's complaint, it did uphold part of her complaint in relation to her not receiving a call back and offered her £80 compensation in respect of this. Ms C contacted UB on 10 August 2022 as she was not happy with the outcome and wanted to raise some further points. She was told that a message would be passed on to the complaint handler and she says that she understood that the complaint would be looked at again. The complaint handler tried to contact Ms C back on 10 August 2022 but was unsuccessful, so a further letter was issued on 10 August 2022 indicating that the outcome had not changed.

Ms C called UB again on 11 August 2022 and informed the agent that her complaint was being reactivated. On 18 August 2022, Ms C called UB to check that her complaint had been reactivated. The agent confirmed that – as the complaint had been reactivated – UB would await the outcome of this before contacting her going forward.

UB issued a compensation cheque for £80 in respect of the earlier complaint on 11 August 2022 and also sent a chaser on 23 November 2022 requesting that she cash the cheque. There was no further contact from Ms C until 9 February 2024 when she raised this complaint.

Ms C says that she had been told that her complaint had been reactivated, so believed that she was still awaiting a resolution. She says that she therefore did not get in touch to finalise the new rate as she had been told that the rate switch had been put on hold awaiting the outcome of her complaint.

Ms C also says that she was sent paperwork from the DWP after September 2022 which she signed and sent back to the bank. She says that this was not processed or returned by the bank which meant that the DWP did not make the payments towards her mortgage.

Ms C would like UB to apply the interest rate that she should have been on had she not been told that her complaint had been reactivated. She also wants the overcharged arrears fees to be removed.

UB accepted that its agent told Ms C on 18 August 2022 that her complaint had been reactivated and that she would not be contacted again until an outcome had been reached. It says that this was based on the agent looking at the earlier note from 11 August 2022, which was in fact information that Ms C had provided. However, it accepted that this was incorrect information. It offered Ms C £50 compensation for the confusion, distress and inconvenience caused due to the misinformation given regarding the complaint status. However, it would not agree to honour the rate from 2022.

UB says that its mortgage adviser had emailed Ms C on 13 July 2022 advising that the required documents for the rate switch had been uploaded and that Ms C was awaiting the resolution of the complaint before a new rate was put in place. It says that once Ms C was told that the complaint had been resolved, she would have had to contact the mortgage adviser to discuss the fixed rate and that this would not be locked in indefinitely. As she did not do so, she remained on UB's standard variable rate (SVR), meaning her arrears balance has increased. UB says that Ms C received two written responses in relation to her previous complaint, a letter enclosing a compensation cheque and a further letter requesting that she cash the cheque. Therefore, UB questions why Ms C did not contact it earlier to establish what was happening with her complaint and her product switch application.

In respect of the DWP forms, UB says that there are notes on its system showing that Ms C had been in touch with DWP and it had said UB had not sent back completed forms. UB responded to Ms C setting out that forms received in September 2022 had been completed and sent through. No forms had been received following this and UB therefore told Ms C that she would need to submit new forms. However, it said that there was no evidence that she had done so.

Our Investigator looked into Ms C's complaint and thought that UB had acted unfairly in not applying the rate switch itself, either straight away once this had been agreed by Ms C, or at least once the complaint had been resolved. He found that, whilst it had taken Ms C a long time to get back in contact with UB regarding the rate switch, UB had made a mistake in telling her that the complaint had been reactivated and it was not unreasonable for Ms C to have relied on this as her last contact with UB. In respect of the DWP forms, the Investigator found that UB had advised Ms C in November 2022 that she would need to submit new forms, however nothing further had been submitted until she made her complaint in February 2024. He therefore did not believe that UB had acted unfairly in this respect.

The Investigator asked UB to backdate the rate of 2.8% to 4 March 2022 and adjust the mortgage account as if the fixed rate had been applied for the period of the fixed rate. He found it unlikely that Ms C would have been provided with a new fixed rate once this product had expired, given the lack of payments, increasing arrears and legal action being taken on the account. The Investigator also asked UB to pay Ms C £200 for the distress and inconvenience caused (including the £50 already offered).

UB agreed with the Investigator's recommendations.

Ms C disagrees with the Investigator's view, so the case has come to me to make a decision. She says that UB dismissed her poor health and she believed that her mortgage was on hold. Ms C says that if the mortgage had been fixed at the lower rate, the DWP payments would have covered the full mortgage payment and started eating into the arrears. She feels that the responsibility for the DWP payments stopping lies with UB and says that this meant the arrears built up. Ms C also feels that the compensation offered is too little as the situation has caused her serious stress and worry.

## **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 looked at the evidence, I agree with the Investigator's view for broadly the same reasons and I've explained my reasons further below.

I can see from UB's internal notes that Ms C agreed to a switch to a fixed rate of 2.8% for two years during the appointment on 15 June 2022. The adviser noted on the system that the new fixed rate would be backdated to 4 March 2022 and that she had booked this rate in case the outcome of Ms C's complaint did not go in her favour, so that she did not lose out further. The adviser also added a note to the system on 13 July 2022 asking that the rate switch application was not lapsed as Ms C had an ongoing complaint and they were waiting on the decision as to whether Ms C accepted this offer or whether UB would honour the rates from March 2022.

I understand that if Ms C's complaint had been upheld, this would inevitably have meant that a lower interest rate was applied and backdated to 4 March 2022, because the rates available in March 2022 were lower. However, it is unclear why UB was unable to apply and backdate the rate agreed following the appointment on 15 June 2022 and then – if the complaint was upheld – amend this rate to the lower rate retrospectively. This is particularly bearing in mind that Ms C was already in significant arrears on her mortgage account and would remain on the SVR until the rate switch was applied. So I think UB acted unfairly in not applying the new rate until Ms C's complaint was resolved.

I can see that UB issued a final response letter in respect of Ms C's complaint on 5 August 2022. Ms C wasn't happy with the outcome and I have listened to the call from her to UB on 10 August 2022, where she makes some further points following receiving the final response letter. During this call, the agent offered to email the case handler and ask them to contact Ms C back. As the complaint handler was unable to contact Ms C, UB sent a further letter on 10 August 2022 confirming that its position remained the same.

It is accepted by UB that Ms C was subsequently told in error on 18 August 2022 that her complaint had been reactivated and that UB would not contact her further until it had been resolved. UB has said that it was for Ms C to contact it once the complaint had been resolved to complete the rate switch.

Whilst I can appreciate that Ms C was sent a cheque and a chaser letter regarding the uncashed cheque following the erroneous information, she did not cash the cheque and I don't think it was unreasonable for her to rely on what she was told during her last contact with UB informing her that her complaint had been reactivated. Likewise, although Ms C took a long time to get back in contact with UB regarding issue, it would not be fair to hold Ms C solely responsible for the fact that the rate switch hadn't been completed, as UB had given her the incorrect information.

In any event, for the reasons set out above, I think UB should have implemented the rate switch when it had been agreed in June 2022, as opposed to putting it on hold whilst Ms C's complaint was being investigated. Further – when this wasn't done – I can't see any reason why it was necessary for Ms C to contact UB again once the complaint had been resolved, as opposed to UB implementing the rate switch which had already been agreed.

In order to put things right, I think UB should retrospectively apply the 2.8% two-year fixed rate which was agreed as if it had started on 4 March 2022 and rework Ms C's account as if this has been in place for the period of the fixed rate.

As the agreed rate was fixed for a two-year period, this period would now have elapsed. I note that Ms C's account is now over £100,000 in arrears, no payments have been received since October 2022, and legal action is being taken by UB. So on balance I think it is unlikely

that Ms C would have been able to secure a new rate switch once the two-year period had elapsed. It would have been reasonable for UB to want to see that Ms C could afford the mortgage payments before offering a new fixed rate. This is because, while a fixed interest rate would usually result in lower monthly payments, it would also come with an early repayment charge if the mortgage needed to be brought to an end early - such as in circumstances where the mortgage is no longer affordable and UB repossesses the property. So a fixed interest rate which a borrower can't afford can cost more in the end. Given the payment history of Ms C's mortgage and the level of arrears, I think it most likely that once the fixed rate expired Ms C would have gone back onto UB's SVR. Therefore, the mortgage account will only need to be reworked for the period which the two-year 2.8% rate would have been applied.

Ms C has provided some information about some health issues she was suffering from and I can understand that this has been a stressful period for Ms C. Whilst I note that there were already substantial arrears on the mortgage account at the time the rate switch was applied, the rate she had agreed upon was not applied to her account which meant that the arrears were increasing more than they should have been. Therefore, I think UB should pay Ms C £200 in respect of the distress and inconvenience caused (including the £50 it previously offered if this has already been paid).

In relation to the DWP forms, I can see that UB has noted on its system that it completed and returned the form to the DWP on 14 September 2022. Ms C contacted UB on 25 November 2022 as she said that the DWP was saying that UB had not returned the forms. UB responded to Ms C on the same day advising that it had completed the forms and sent them to the DWP back in September and that it would check if any new forms had been received. UB made enquiries internally and confirmed that it had not received any further forms since September and that it did not hold copies of the old forms.

On 30 November 2022, UB responded to Ms C again stating *"The team have confirmed that the only forms received were back in September they were completed and sent through. After that no forms have been received, thereby, new ones will need to be submitted, we understand the frustration, please call us directly if you have any concerns"*. However, the notes show that the next contact from Ms C querying the DWP forms was in February 2024.

In light of the above, I am satisfied that UB sent the completed forms to the DWP in September 2022, as this is recorded contemporaneously in its records. And I can't hold UB responsible if these weren't received by the DWP. When Ms C contacted UB over two months later in November 2022, it explained she needed to resubmit the forms and she did not do so. Whilst I understand that Ms C has had some health issues, it would still be for her to take some responsibility for managing her mortgage. Therefore, I am satisfied that UB has not acted unreasonably or unfairly in this respect.

### **Putting things right**

For the reasons set out above, I uphold this complaint and require UB to:

- Apply the two-year fixed rate of 2.8% to Ms C's mortgage account and rework the mortgage account as if this had been applied on 4 March 2022 for the period until the fixed rate would have expired.
- Pay Ms C £200 in respect of the distress and inconvenience caused (including the £50 it previously offered if this has already been paid).

### **My final decision**

For the reasons I've explained above, I uphold this complaint against National Westminster Bank Public Limited Company trading as Ulster Bank and require it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 28 May 2025.

Rachel Ellis  
**Ombudsman**