

The complaint

Mr M complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY failed to provide him with assistance whilst he was in financial difficulties and trying to sell his house and won't move his account on to an interest-only mortgage.

What happened

Mr M took out a capital repayment mortgage with NatWest and borrowed £300,000.00 in four sub-accounts. Presently the mortgage interest rate is fixed at 3.94% until 31 August 2028. There were arrears on the account which led to litigation and a suspended possession order in the autumn of 2022 which required Mr M to make the contractual monthly payment each month together with a further payment of £150 towards the arrears. In early 2023 Mr M asked that his mortgage be transferred to interest-only but NatWest said that he did not meet its criteria for it to be transferred. In June 2023, an arrangement was set for a year for Mr M to make payments of £1,503.00 per month. At Mr M's request Mr M's existing fixed rate interest was coming to an end, and he fixed a rate for the following five years. The arrears in March 2024 were £10,828.34. In April 2024, Mr M asked for a payment holiday in order to invest money elsewhere, but NatWest declined his request as it breached the terms of the court order. At the time he told NatWest that he was thinking of selling his property and buying another property and told NatWest that he was alright financially.

At that stage NatWest recorded in its file that there was not an affordability issue (just a timing issue) so the account at that stage was not passed to the private sales team, but Mr M contacted NatWest in early June 2024 asking it to pass the account to the private sales team to avoid any action by NatWest. The account was put on hold until December 2024 to allow time for the sale. The notes say that in August 2024, the property was on the market for £400,000.00. This meant that no further action would be taken during that time. Mr M made no further payments to NatWest during that period until the end of December.

In December the account within NatWest was passed to the litigation team and Mr M asked that the account be put on interest-only but this was refused pending the sale of the property which Mr M thought would take 1-2 months as he had a buyer. Our investigator didn't recommend that this complaint should be upheld as he felt that NatWest had done nothing wrong. NatWest in its final response letter had offered Mr M £150 because it had failed to connect Mr M to the correct team when he tried to contact them and our investigator thought this was fair. Mr M disagreed and asked for a review.

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.

Mr M has made several submissions in relation to this complaint all of which I have read and in his email of 5 August 2025, summarised them as follows:

1. NatWest would not consider an interest-only mortgage for him as he was in arrears, and this was wrong as it was of more advantage to him than a customer not in

arrears.

2. When he contacted NatWest, he was switched to different departments but got no assistance but offered £150 not to report his complaint to this service.
3. Mr M wants to capitalise the arrears and pay an interest-only mortgage as there is enough equity in the property and it's like *"if a customer was to borrow money on their property like a further advance and it's the same principal."* Mr M says the current balance is around £302,00.00 with the arrears and the property is worth at least £375,000.00 so there's plenty of equity. Mr M will have the capital to pay off the balance in the future as his parents' house is mortgage free and will be passed to him in the future and he can use this to pay off the full balance.
4. NatWest caused real discomfort, anxiety, stress, and depression by not properly considering his situation and passing him from department to department.

I understand that Mr M got into mortgage arrears initially during the Coronavirus Pandemic and a suspended possession court order was made requiring him to continue to make the contractual monthly payments together with a payment towards the arrears. My understanding is that although there were some timing issues about the payments that this arrangement continued until it broke down in April 2024 when Mr M was unable to make the payments, Mr M's proposed solution was to sell his property but he has been unable to do so and NatWest agreed not to take action on foot of the suspended possession order for a period of six months to allow him to sell the property, which period elapsed in December last year. Mr M then asked NatWest to look at putting the mortgage on interest-only which NatWest refused to do - NatWest had already refused to put the mortgage on interest-only back in 2023. Mr M brought the complaint about that to us.

Mr M has found himself in the unfortunate position of having a hangover of arrears from the Pandemic which he could manage for a while whilst his income supported it but from April 2024 that apparently has not been the case so he looked to NatWest for help which he says has not been forthcoming.

My role is to decide whether NatWest did anything wrong. I've listened to the phone calls and read Mr M's submissions and understand his anxiety that he may be homeless with the arrears eating into the equity in his property. I note that in the phone call of 14 January 2025 that the arrears were then £22,000.00, the balance on the mortgage including arrears was £301,000.00 so there was still equity in the property. Mr M wants NatWest to add the arrears to the balance and the mortgage transferred to interest only for the remainder of the mortgage term and that it's unfair that because of the arrears he can't get this transfer when he would benefit more from such a transfer than a customer not in arrears who may be able to get an interest-only mortgage.

Mr M's present mortgage is a capital repayment mortgage. When approving this mortgage for him initially, the lender would have conducted a risk assessment including Mr M's credit history. If Mr M now wants a different type of mortgage - an interest-only mortgage - he would be applying for a new mortgage and part of the risk assessment on any new mortgage would look at how a customer already maintained their existing mortgage. As Mr M's mortgage account is in arrears with a suspended possession order and does not have a good payment record, he wouldn't meet that initial lending criteria whereas a customer not in arrears would. It's not unreasonable for a lender to consider a customer's credit payment record in deciding whether to grant a new mortgage or not so I don't consider that NatWest has done anything wrong in indicating to Mr M that because of the arrears on the account it would not give him a new interest-only mortgage.

But even if Mr M got over that initial hurdle, Mr M would have still have difficulties getting an interest-only mortgage. An interest-only mortgage will require a repayment strategy. Mr M says that his repayment strategy would be to use the proceeds from the inheritance of his parents' house sometime in the future. But according to the mortgage regulations - MCOB 11.46 - an intention on the part of the customer to use an expected but uncertain inheritance is an unacceptable repayment strategy and whilst Mr M's inheritance may be expected its not certain.

So, for the above reasons I don't consider that NatWest wrongly refused to transfer this mortgage to interest only. Nor do I consider that NatWest did anything wrong by not putting the mortgage on interest-only for a short period. Short term interest-only concessions are there to assist when a customer needs a breathing space to put a mortgage back on track. Mr M has indicated that he wants to bring the mortgage to an end by selling the property. So, it's not a question of putting the mortgage back on track and in any case, NatWest provided six months of breathing space when it withheld any action on the suspended possession order pending the sale of the property in 2024. So, I consider that NatWest dealt fairly with Mr M's requests for assistance in his financial difficulties. Unfortunately, the property hasn't yet sold, and Mr M may wish to contact NatWest to advise them if there is any update on this.

Finally the complaint began because Mr M was dissatisfied with the service he got when he tried to contact NatWest in December to seek assistance from them but found that the department he thought he should be dealing with – the private sale department – was unable to help him and he found himself switched round departments. I see that beside the private sale department, Mr M found himself in conversation with the financial health and support department and the litigation department. I can understand that Mr M wanted to deal with one person, but I also understand that NatWest will have specialised departments for different stages of the customer journey who through specialisation can provide more assistance. I listened to the calls, and I considered that the various members of NatWest staff that Mr M spoke to behaved in a professional and sympathetic way although they could not provide the solution that Mr M wanted. But I recognise that it was frustrating to Mr M to be put through to one department who could not help because he should have been put through to another department. I note that NatWest recognised this and recommended payment of £150 which I consider fair, and I don't consider was an offer by NatWest to prevent Mr M bringing this complaint to our attention.

My final decision

NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY has offered compensation of £150 to settle this complaint which I consider fair in all the circumstances and I order the bank to pay Mr M £150 unless it has already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 September 2025.

Gerard McManus
Ombudsman