

## **The complaint**

This complaint is about a mortgage Mrs and Mr H hold with Newcastle Building Society (NBS). The essence of the complaint is that they believe that NBS has passed on increases in the Bank of England Base Rate (BoEBR) but hasn't passed on decreases that have occurred, in particular since they reverted to a variable rate.

## **What happened**

By way of a provisional decision dated 16 June 2025, I set out my provisional conclusions on this complaint. The following is an extract from the provisional decision.

"Mrs and Mr H's mortgage started in 2016, and they added to it with additional borrowing in 2023. In April 2023, the mortgage switched to a discounted variable rate, when a prior fixed rate product of 3.6% expired. Mrs and Mr H complain that since that time, NBS has increased its own standard variable rate (SVR) - the underlying rate on which their discounted rate is based - each time BoEBR has gone up, but has not decreased its SVR when BoEBR has fallen.

Mrs and Mr H started this complaint in late 2024; the gist of it being that the changes in SVR that NBS has implemented over time have been unfair and one-sided. NBS rejected the complaint, and it was passed to our service.

Our Investigator explained that we have to look into all movements in the SVR from when the mortgage started. When he did that, he wasn't persuaded that Mrs and Mr H had been treated unfairly.

Mrs and Mr H asked for the complaint to be reviewed by an ombudsman.

## **What I've provisionally decided – and why**

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I've considered all the available evidence and arguments in order to decide what's fair and reasonable in the circumstances of this complaint. Having done so, these are my conclusions, and the reasons for them.

Under the agreement Mrs and Mr H entered into for the discounted rate in April 2023, there are two components to the interest rate they are charged. One is fixed; the

other is variable. The fixed component is the discount off the SVR, the variable component is the SVR itself. If that changes, the rate NBS charges Mrs and Mr H changes. What I have to decide is whether NBC has varied its SVR fairly or unfairly during the period under consideration.

There's a dispute over when the period of consideration should be. The Investigator has reviewed changes in the SVR going back to 2016 when the mortgage started. Mrs and Mr H say that's wrong, because they were on a fixed rate before April 2023, so we should only be looking at changes NBS has made to its SVR since they went onto the discounted rate.

I understand why they might think that, but actually, we *do* have to look at all the changes to SVR since the mortgage started. It's not because Mrs and Mr H were being charged a rate that was based on the SVR throughout; clearly they weren't. Rather, it's because at any given time, the SVR that a lender is charging is the cumulative result of all of the changes that preceded the current rate, and contributed to the current rate being at the level it is.

The following table starts with the BoEBR, the SVR being charged by NBS, and the difference between the two, when the mortgage started. Thereafter, it shows all of the changes since.

Date	Base Rate	SVR	Difference
Mar 2009	0.50%	5.99%	5.49%
Aug 2016	0.25%	5.99%	5.74%
Nov 2017	0.50%	5.99%	5.49%
Aug 2018	0.75%	5.99%	5.24%
Mar 2020	0.25%	5.99%	5.74%
Mar 2020	0.10%	5.99%	5.89%
Dec 2020	0.10%	3.96%	3.86%
Dec 2021	0.25%	3.96%	3.71%
Feb 2022	0.50%	3.96%	3.46%
Mar 2022	0.75%	3.96%	3.21%
May 2022	1.00%	3.96%	2.96%
Jun 2022	1.25%	3.96%	2.71%
Aug 2022	1.75%	3.96%	2.21%
Sep 2022	2.25%	3.96%	1.71%
Oct 2022	2.25%	4.91%	2.66%
Nov 2022	3.00%	4.91%	1.91%
Dec 2022	3.50%	4.91%	1.41%
Feb 2023	4.00%	4.91%	0.91%
Mar 2023	4.25%	4.91%	0.66%
Apr 2023	4.25%	5.19%	0.94%
May 2023	4.50%	5.19%	0.69%
Jun 2023	5.00%	5.19%	0.19%
Jul 2023	5.00%	5.94%	0.94%
Aug 2023	5.25%	5.94%	0.69%
Sep 2023	5.25%	6.94%	1.69%
Aug 2024	5.00%	6.94%	1.94%
Nov 2024	4.75%	6.94%	2.19%
Feb 2025	4.50%	6.94%	2.44%
Apr 2025	4.50%	6.75%	2.25%

The table shows that the relationship between BoEBR and SVR is not fixed. There's nothing amiss with that; the SVR is not a tracker product. It seems to me therefore that this case is all about the difference between the two. Hereafter, I'll refer to that as the margin.

At a general level, interest variation clauses such as those that applied to Mrs and Mr H's mortgage have a legitimate purpose and are common in financial services consumer contracts, particularly those of long or indeterminate duration, such as mortgage agreements.

A fair variation term can benefit both consumers and lenders, by providing flexibility and a wider choice to consumers and enabling firms to provide competitively priced products, knowing they can vary the interest rates they charge to reflect changes in circumstances, particularly in their own cost of funding. A reversionary rate also permits lenders to provide for future changes that justify increases in the rate, and a lender's own costs of funds are by nature difficult to foresee.

When the mortgage started, the margin was much wider than it is now. It then followed a mostly reducing trend, other than briefly widening again in 2020 and 2022. The margin actually reached its narrowest point in June 2023, not long *after* Mrs and Mr H had switched to the SVR-based discounted rate. The margin gradually increased again after June 2023, but the most recent change, which has happened since the complaint started, has narrowed the margin again slightly.

All of this demonstrates that changes in NBS's SVR are not just driven by changes in BoEBR. They are also driven, to varying degrees, by any or all of the factors I listed above. We have received detailed information about the reasons why NBS's SVR varied in the way that it did during the period under consideration. The information we've received is commercially sensitive, so can be treated as confidential. The information has been reviewed in line with the mortgage documentation, relevant law and regulations.

I've considered whether NBS acted fairly overall. Having done so, I'm satisfied the SVR was varied in line with the mortgage terms and conditions and that NBS exercised those terms fairly. This means that I'm satisfied NBS hasn't overcharged interest on Mrs and Mr H's mortgage account since they went onto the SVR-based discount rate in April 2023."

The parties were given two weeks to comment on the provisional decision. Neither has disagreed.

### **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 afresh at everything the parties have said and provided, having been given no reason to depart from my provisional conclusions, I don't.

### **My final decision**

My final decision is that I don't uphold this complaint or make any order or award against Newcastle Building Society.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr H to accept or reject my decision before 29 July 2025.

Jeff Parrington

**Ombudsman**