

## The complaint

Miss C and Mr M have complained about the mortgage they hold with Nationwide Building Society. They said that Nationwide extended the term of their mortgage without their consent, and that it then made it difficult to overpay the mortgage to reduce the mortgage term.

## What happened

Miss C and Mr M took out their mortgage with Nationwide in January 2006. The mortgage offer set out that they were borrowing £90,000 on a repayment basis over a 25-year term. The interest rate was fixed at 4.69% for 60 months, after which it would move to Nationwide's reversionary variable rate. I'll call this the main mortgage account.

In August 2009 they borrowed a further £50,000 on a repayment basis over a 30-year term. I'll call this the further advance account. At that time the term on their main mortgage account was increased to 30 years, and Miss C and Mr M say that was done without their knowledge or consent.

Miss C and Mr M made previous complaints about the change in the main mortgage account term, with those complaints being in 2015, 2016 and 2018. Those complaints weren't referred to our Service at the time.

On 29 March 2024 Miss C and Mr M made an instruction through their online Mortgage Manager functionality that they wanted to make overpayments of £1,000 a month to the further advance account. Then on 31 May 2024 the overpayment preference was changed from "reduce your monthly mortgage payment" to "reduce your mortgage term".

On 16 June 2024 Miss C and Mr M used the secure webchat to ask that their overpayments be changed to "capital deductions", said they'd previously requested that be done and they also made a complaint.

Nationwide responded to the complaint in July 2024. It said it couldn't evidence Miss C and Mr M requested to change their overpayment preference to reduce the term on 29 March 2024, and had they done so a confirmation email would have been sent. It explained the overpayment preference allows a customer to either reduce their mortgage term or to reduce their monthly mortgage payment. It said the overpayments Miss C and Mr M made in May and June had now been used to reduce the mortgage term as requested, however that meant Miss C and Mr M had underpaid slightly in June and July so it asked them to make a payment of £29.04 to cover that. It said that a preference was now set on the account to reduce the term automatically following all overpayments of £500 or more. It also dealt with a complaint about Miss C and Mr M being on the reversionary variable rate, saying it had notified them in August 2011 that their preferential interest rate was ending that month, with details of how to obtain a new rate being included in the annual mortgage statements since then. And it said Miss C and Mr M's complaint about the term of their mortgage had been responded to in October 2015 and April 2016.

Miss C and Mr M referred their complaint to our service on 22 July 2024.

An Ombudsman colleague issued a decision about our jurisdiction in April 2025, and in that she said:

“My decision is that we can look into Miss C and Mr M’s complaint about the difficulties they had making overpayments from May 2024 to reduce the term of the mortgage.”

She clarified that related just to the time period that was dealt with by Nationwide in its final response letter in July 2024 (so from May 2024 until July 2024). She also said that as Miss C and Mr M hadn’t referred their complaint about the interest rate to our service, we wouldn’t be considering that.

Our Investigator considered the complaint about the overpayments and said Nationwide hadn’t acted unfairly or unreasonably.

Miss C and Mr M didn’t agree and so the case has been passed to me to decide.

### **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.

Miss C and Mr M have continued to correspond about the decision my colleague reached about our jurisdiction to consider this complaint. There has to be some finality in our process and it wouldn’t be appropriate for us to continue to correspond about the same matters once an Ombudsman has issued a decision on them.

Having reviewed my colleague’s decision I can’t see that she’s erred in her understanding of our rules, or in how she has applied them. I agree with the decision that she reached.

For that reason, I won’t be making any findings on any other points and will be keeping my considerations to the issue of the overpayments in the period from May until July 2024.

The starting point here is the terms of the contract Miss C and Mr M entered into. The Mortgage Conditions 2001 document says at section 4 ‘Interest’:

“If the overpayment exceeds £500 the monthly payment will be varied unless you instruct us otherwise.”

On 29 March 2024 Miss C and Mr M made an instruction through their online Mortgage Manager functionality to start making regular overpayments of £1,000 a month to their further advance account. As part of that request there was a section:

#### **‘Would you like to change your overpayment preference?’**

An overpayment preference allows you to either reduce your mortgage term, reduce your monthly mortgage payment or keep them both the same, depending on your repayment type. Your overpayment preference will only be applied to this account. For more information visit mortgage overpayments.

**Note:** If you haven’t previously changed your overpayment preference, it will be automatically set to reduce your monthly mortgage payment.”

That had the options Yes and No.

Nationwide has shown that a request to change the overpayment preference wasn’t made at the same time as the overpayments were set up (on 29 March) and so the overpayments

stayed as the default option which was to be used to reduce the monthly payments. The overpayment preference was then changed on 31 May to the option to reduce the mortgage term.

In its final response letter in July 2024 Nationwide said Miss C and Mr M would have received an automatic confirmation email at the time of setting up the overpayments in March 2024 which would have confirmed any preference change, and it said if Miss C and Mr M could provide that to show they had requested a change to the overpayment preference then it would look at things again. In the absence of any email to show a request to the contrary, I find Nationwide's contemporaneous evidence to be persuasive – that is, a request to change the overpayment preference to being a term reduction wasn't made until 31 May 2024.

And even if I'm wrong about that, Nationwide has already put matters right in terms of the overpayments made following Miss C and Mr M's request in March 2024 to start overpaying by £1,000 a month. That's because, to put things right when dealing with the complaint, Nationwide changed the overpayments it had received in the time between the overpayments being set up and the preference being changed, to being used to reduce the mortgage term and it confirmed that in the July 2024 letter. So even if I did think Nationwide had done something wrong, it has already done enough to put that right by changing how the overpayments have been treated.

Finally, Miss C and Mr M have commented on how long it took for their complaint to be dealt with by Nationwide. Nationwide has eight weeks to respond to complaints, and it answered Miss C and Mr M's complaint in less than that.

In summary, I don't uphold this complaint about the overpayments that were set up on 29 March 2024 as dealt with in the complaint response letter from July 2024.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C and Mr M to accept or reject my decision before 11 February 2026.

Julia Meadows

**Ombudsman**