

The complaint

Mrs C's complaint relates to her NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) mortgage. She is unhappy that the interest rate products available to her, as an existing customer, have higher interest rates associated with them than the products that are available to new customers. She feels that NatWest is treating her unfairly.

What happened

Mrs C has an existing mortgage with NatWest which had an interest rate product linked to it that was due to expire in July 2024.

As the expiry date approached, Mrs C looked at the options available to her for a new interest rate product. She was not happy that the products available to her as an existing customer were different to those advertised on NatWest's website for new customers. Mrs C complained about this.

NatWest responded to the complaint in a letter of 16 August 2024. It set out why it offered lower rate products to new customers. It said that Mrs C had been offered rates in line with its current policy and believed that policy to be fair.

Mrs C was not satisfied with NatWest's response and asked this Service to consider her complaint. One of our Investigator's did so, but she didn't recommend that it be upheld. She explained that a lender offering different rates to different types of borrowers, was not inherently unfair, as long as it could demonstrate that the products offered fair value. The Investigator was satisfied from the information provided by NatWest that the products offered did represent fair value.

Mrs C did not accept the Investigator's conclusions. She reiterated that based on the information contained on NatWest's website, an existing customer would be paying a higher interest rate than a new customer and new customers were being offered deals where NatWest would pay certain fees too. Mrs C mentioned that there had been an FCA ruling that insurers could not provide better deals to new customers than existing ones.

As agreement could not be reached, it was decided the complaint should be referred to an Ombudsman.

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.

Our enabling legislation, the Financial Services and Markets Act 2000, provides at section 225 that we are required to resolve complaints '*quickly and with minimum formality*'. We are 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. That means I don't have to address every individual question or issue that's been

raised if I don't think it affects the outcome. We have no regulatory function; that's the role of the Financial Conduct Authority (FCA); nor are we a consumer protection body. We are an alternative dispute resolution body; an informal alternative to the courts for financial businesses and their customers to resolve their differences. We deal with individual disputes – when we're able to – subject to rules laid down by the FCA (which are known as the DISP Rules).

As such, when considering this complaint, I need to decide whether NatWest has acted fairly and reasonably towards Mrs C. The key issue in this case is the fairness of NatWest offering different interest rate products to different groups of customers. I don't think there is anything inherently unfair in a lender choosing to do that, or that it is expressly prohibited by law or the rules and regulations – including the Consumer Duty – that apply.

Mrs C thinks that NatWest offering her a product with a higher rate of interest than that available (on an equivalent mortgage) to a prospective new borrower re-mortgaging from a different lender or taking their first mortgage, means that NatWest is not treating her fairly. NatWest says that the fact the interest rate it offered Mrs C, as an existing customer, for a product switch was higher than the rate offered to a prospective new borrower, isn't contrary to the Consumer Duty rules.

Under the Consumer Duty, NatWest is required to ensure that its products offer fair value, and that is what is key in determining the outcome of this complaint.

If NatWest can demonstrate that the products Mrs C could choose from offered fair value, by reference to their costs and benefits, then it follows that I am likely to conclude it hasn't treated them unfairly by offering differential pricing to new and existing customers. So, this is what I have considered. Delivering fair value isn't just about the price (e.g. the interest rate charged) of a product, but broader considerations such as a product's benefits, costs and target market. The FCA provided specific guidance on differential pricing in relation to the Consumer Duty in FG22/5. In section 7 (The price and value outcome) under 7.38, it said:

'The price and value outcome rules do not require firms to charge all customers the same amount. Differential pricing between new and existing customers in the form of clear, transparent up-front discounts for either set of customers is not prohibited by the Duty.'

So, the FCA's Consumer Duty guidance explicitly states that differential pricing between new and existing customers is allowed.

However, firms should be able to show how they have considered whether the products they offer represent fair value. We asked NatWest to provide details of its assessment of fair value, which it has provided to us in confidence. Our rules allow me to accept it as such and not share it – beyond a summary.

In summary, the assessment shows that NatWest considered a range of factors. They included the product's benefits (such as the ease with which an existing customer could switch to new mortgage deal quickly and at low cost), price (bearing in mind comparable products in the marketplace), and costs. Having carefully considered this information, I am satisfied that NatWest considered whether its interest rate products offered fair value to different groups of customers.

NatWest treated Mrs C the same as all other customers with the same characteristics i.e. an existing customer seeking a product switch at the relevant loan-to-value. I am satisfied NatWest has demonstrated that the products offered to Mrs C represented fair value in relation to the cost and benefit of that group of customers. I would also note that Mrs C had

the option to look at what else was available in the wider market and change lender if she was not satisfied with the products offered by NatWest.

In conclusion, I have not found that NatWest has treated Mrs C unfairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs C to accept or reject my decision before 1 September 2025.

Derry Baxter
Ombudsman