

The complaint

Mr P has complained about what happened when he wanted to make a change to his mortgage he held with National Westminster Bank Public Limited Company.

Mr P says he approached NatWest as he wanted to change his mortgage from repayment to interest only to reduce his outgoings, and he instead ended up with a larger mortgage (as he was told he had to consolidate some debts to meet the affordability requirements) still on a repayment basis.

What happened

Mr P had a mortgage with NatWest which was held over five sub-accounts. In May 2023 it was recorded that the mortgage was split as follows:

	Date	Amount	Rate	Reason for lending
1	October 2016	£9,639	1.25% fixed until 31 August 2023	Debt consolidation
2	October 2016	£163,276	1.25% fixed until 31 August 2023	House purchase
3	October 2016	£13,417	1.25% fixed until 31 August 2023	Home improvements
4	October 2018	£40,604	3.97% fixed until 31 December 2023	Debt consolidation
5	October 2018	£13,881	3.97% fixed until 31 December 2023	Wedding costs

All five sub-accounts were held on a repayment basis with a term of around 23 years.

The fact find recorded Mr P had various unsecured debts, with the following to be consolidated:

- Credit card with a balance of £5,095
- Credit card with a balance of £3,614
- Credit card with a balance of £4,861
- Loan with a balance of £48,544 and payments of £686 a month

It also recorded the following unsecured debts would remain outstanding:

- Credit card with a balance of £9,311
- Loan with a balance of £2,100 and payments of £70 a month
- Loan with a balance of £1,776 and payments of £74 a month
- Loan with a balance of £4,824 and payments of £134 a month
- Loan with a balance of £1,562 and payments of £142 a month
- Loan with a balance of £1,296 and payments of £72 a month

It was discussed that Mr P wanted to achieve three things. He wanted to switch his mortgage to interest only, consolidate some debts and get a new preferential interest rate product arranged as his existing rates were coming to an end that year. Mr P was told each application would need to be done separately, and that the new borrowing would need to be left on a repayment basis, so around £240,000 of his mortgage would be interest only and the rest would be repayment.

Mr P was given a rough estimate of between £1,150 and £1,530 a month once all the changes took effect, with the warning that would be dependent on interest rates.

Mr P wanted to undertake the switch to interest only first, but unfortunately he didn't pass the affordability check for that as it was calculated based on all the unsecured debts remaining outstanding. It was agreed that the debt consolidation further advance would be applied for first, and once that was drawn down an application for a switch to interest only would be made. Whilst Mr P was told there were no guarantees of any future application being accepted, he was assured it appeared affordable if done that way round.

The main call took place on 9 May 2023 and the outcome of that was that an application was put through for a further advance to consolidate some of the debts and also for a new interest rate product to be put in place for all five sub-accounts which would take effect from 1 September 2023. As sub-accounts 4 and 5 were within an early repayment charge (ERC) period until 31 December 2023 Mr P would have to pay the charge to end those early. He was told in the call that would be around £580. The new rate was fixed at 4.14% until 30 September 2028.

On 24 May 2023 Mr P emailed the original adviser he spoke to. He said the additional borrowing application had completed and he would like to arrange an appointment to discuss switching the mortgage to interest only.

The adviser asked if they could discuss things that afternoon and then she could get an appointment booked. Following that call the adviser sent an email to Mr P to say she was still looking for a specialised advisor to book him in with, and the diary system showed no available appointments in the next few months. She said she had emailed some managers to see if she could find an appointment. She closed by querying the fact Mr P had agreed to a rate switch application in the call of 9 May 2023 as that wasn't the original plan, and asking if he wanted to wait for that to complete, or still do the switch to interest only first.

Mr P responded on 31 May 2023 to say he didn't know why he had been sent that agreement, he hadn't signed it and asked if they could move ahead with switching the main mortgage to interest only.

We are missing what happened after that, as the next evidence I have available is that the adviser emailed Mr P on 1 June 2023 to say she had set up a portal for the appointment in September, and reminded Mr P to sign the product switch document.

Mr P then phoned NatWest on 12 June 2023 and paid the ERC of around £540 to allow his sub-accounts 4 and 5 to move to the new interest rate product on 1 September 2023 with the rest of his mortgage. The new rate was fixed at 4.14% until 30 September 2028.

A different NatWest adviser spoke to Mr P on 1 September 2023. He said he was calling about the appointment that had been booked for 4 September 2023, which was to apply for the switch to interest only. The adviser explained that they could only switch amounts that hadn't been taken out for debt consolidation purposes, so that meant Mr P could only switch sub-accounts 2, 3 and 5.

He said there was an alternative which was that Mr P could apply online for a temporary change to interest only for six months under the Mortgage Charter, and that wouldn't require any checks and would be the full mortgage balance. The adviser said if Mr P wanted to remain on interest only after that then he could book a further appointment when the Mortgage Charter period was coming to an end.

On 4 September 2023 Mr P made the application online for a temporary interest only period under the Mortgage Charter and that ran for six months.

Mr P contacted NatWest in February 2024 and was told he needed to wait until his temporary interest only period ended, and then on 8 March 2024 Mr P was told he didn't pass the affordability check to switch to interest only as he'd taken on further unsecured debt. Unhappy with everything that had happened Mr P raised a complaint with NatWest.

As there was a delay in responding to the complaint Mr P referred matters to us, and then NatWest responded on 14 June 2024. It offered to waive the ERC (of around £13,350 at the time of the letter) for six months so Mr P could remortgage to another lender. It also paid £500 compensation for the misinformation he'd been given, and £50 for the delay in dealing with the complaint.

Mr P told us that didn't resolve his complaint as he'd since tried to remortgage and one broker told him it couldn't find a lender that would agree to the application on an interest only basis with the sale of the property being the repayment vehicle due to his mother living in the property, and another broker told him he didn't meet any lenders' affordability assessments.

Our Investigator upheld the complaint, and after some back and forth on the redress NatWest, on the understanding it would resolve the complaint, refunded the ERC Mr P incurred for ending the interest rate product on sub-accounts 4 and 5 early.

Mr P said that didn't resolve matters as he was unable to remortgage as no lender would agree to lend on an interest only basis if he had consolidated debt in the last five years, and/or because his mother lived in the property. He said he had received an agreement in principle with a different lender, but when they found out he had consolidated debt in the last five years, said they couldn't proceed.

As an agreement couldn't be reached the case was passed to me to decide.

What I've decided – and why

I issued my first provisional decision in June 2025 in which I found:

“Putting everything together I'm satisfied that Mr P:

- would always have ended the rate on sub-accounts 4 and 5 early and so would always have incurred the £540 ERC.

- couldn't apply for a switch to interest only for sub-accounts 2, 3 and 5 before 5 September, but if nothing had gone wrong he would have made an application on that day and based on the information that has been provided to me, would likely have been successful."

Both sides responded to my first provisional decision, and having considered those responses I asked both sides for some further information. I then issued a second provisional decision, the findings of which said:

"I trust Mr P and NatWest won't take it as a discourtesy that I've condensed this complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Mr P has said that he only wanted to switch to interest only, but NatWest told him he had to consolidate some debts to meet the affordability of that. But that isn't supported by the evidence on file. That evidence shows Mr P wanted to both switch to interest only and to consolidate some debts, to reach the overall objective of reducing his outgoings. Either way, this complaint doesn't turn on that as NatWest wasn't able to make a permanent switch to interest only without Mr P consolidating some of his debts as he didn't meet the affordability check.

Under the rules of mortgage regulation¹ NatWest was required to carry out an affordability assessment before making a change to the contract, such as a switch to interest only. Having considered everything very carefully, I don't think NatWest did anything wrong in telling Mr P that he would need to consolidate the debts first as without doing so he didn't meet the affordability assessment. Although Mr P was told a future switch to interest only wasn't guaranteed as it would depend on underwriting, he was also told it looked fine on affordability so I think he would have been reassured that once he consolidated the debts then the switch to interest only wouldn't be a problem.

It is clear that there was confusion after that as whilst the first adviser intended the application to just be for debt consolidation purposes, the adviser that undertook the second call also recommended a rate change application be put through at the same time. But by doing the rate change application, that meant no further applications (such as a switch to interest only) could be made until after that completed on 1 September 2023.

Whilst Mr P agreed to that course of action in the call, I think it is clear he was confused. That can be seen by the fact he emailed the original adviser as soon as the further advance was drawn down to ask if an appointment could be booked for the switch to interest only application. If he'd truly understood that applying for a new interest rate product would have meant he couldn't switch to interest only until after 1 September, then he wouldn't have emailed the first adviser in May 2023 to ask if that could be done the following week.

It isn't clear exactly what happened after that as there is a gap in the evidence. On 31 May both the first adviser and Mr P seem to agree the rate switch application shouldn't have been made, but then the following day the first adviser reminded Mr P to sign for it. It is clear there was contact between those two emails – whether that be a call or another email – as the first adviser talks of "the appointment in September" when the last mention was that she was unable to source an appointment. And Mr P then did sign the contract to

¹ www.handbook.fca.org.uk/handbook/MCOB/11/6

change the rate, and he phoned to pay the ERC on sub-accounts 4 and 5 so that could be put in place.

On balance I think it is most likely (which is the test I must use) that the missing contact involved the adviser telling Mr P that the first appointment she was able to book to discuss a switch to interest only wasn't until September 2023, so he could leave the rate change application in place as that would complete on 1 September and therefore wouldn't delay things. That is the only thing that seems to make sense in the context of the other messages and what we know happened. I say that because the adviser told Mr P on 25 May 2023 that she had checked the diary for the next few months and no appointments were showing as available, which ties in with the booking of an appointment for the start of September.

Putting everything together I don't think it is likely an application to switch to interest only could have been made before the appointment that was booked for 5 September 2023.

I also think Mr P would always have paid the ERC of around £540 in June 2023 to 'deal break' the interest rate product on sub-accounts 4 and 5 as he was clear he wanted one payment, and everything to tie in. The only way he could have done that was to pay that ERC to end those interest rate products early. If he hadn't paid the ERC then he would have had to take the interest rate product on just sub-accounts 1, 2, 3 and the new further advance, with him then needing to separately apply for a new rate for sub-accounts 4 and 5 at a later date. The evidence I have seen shows that the rate would have been higher if Mr P had delayed applying for a new product for those two sub-accounts and so I don't think he has been financially disadvantaged by paying the ERC, especially as it met his stated objective of having all his sub-accounts on the same product.

Where I think things went wrong was in September 2023. Mr P had been clear that he wanted interest only for a number of years, not just six months, and that had already been delayed since his request in April 2023 for a number of reasons. So I don't think the adviser should have suggested the Mortgage Charter six-month temporary interest only period as an alternative. The adviser talked of the benefits of that option, such as no need for any checks and it would switch the whole mortgage to interest only (not just some of the sub-accounts) but all that did was push things back as Mr P would then need to come back to NatWest in six months to attempt to apply again for a switch to interest only. It seems Mr P was attracted to the ease of that option, but I think the adviser should have checked if Mr P was eligible for the permanent switch that he wanted first, and then only suggest the Mortgage Charter as an alternative if a permanent switch wasn't possible.

I understand the permanent switch was turned down in March 2024 as by then Mr P had some further unsecured debt which meant he failed the affordability check, but Mr P has told us the loan in question, wasn't taken out until 30 October 2023.

On balance I think an application to switch to interest only should have been made on 5 September, as was originally planned."

"I understand that NatWest feels the adviser was clear in the September call that Mr P had a choice between applying for a permanent switch to interest only, or taking the Mortgage Charter six months temporary change, and that Mr P indicated his situation might be completely different in six months' time. It has said not giving all the options could potentially have been seen as unfair.

I understand NatWest's argument here, and it is something I considered before reaching my first provisional findings. But having listened to all the calls after Mr P first spoke to NatWest about this, and taking into account the full journey to get to that point, I feel Mr P

took the Mortgage Charter option as it was put forward as the easier option at that time – no application and credit checks and all sub-accounts could be switched – having been reassured that he could do an application to permanently switch in a few months “Rebook in, upload your payslips again because you meet criteria to change it to interest only. But we would only be able to do the bits that aren’t on debt [consolidation].” The adviser, at the start of the call, said Mr P had indicated in an earlier call that he wanted interest only for two or three years, so he was already on notice that six months wasn’t likely to be enough. Whilst Mr P said six months might be enough, I think that should be taken in the context of the rest of the customer journey to that point and the attractive points of the Mortgage Charter over a full application to switch.

That said, previously I found that whilst I had no way of knowing now whether such an application would have been successful, I said I had no reason to believe it would have been turned down. But having considered the responses to my provisional decision, and the information I have since received I’m now not persuaded it is more likely than not that an application would have been successful at that time.

Whilst Mr P had paid off one loan (with a monthly payment of £142) in August 2023 to reduce his outgoings to credit commitments, it seems his credit card debt had more than doubled (from around £9,300 to around £25,000). The March 2023 affordability assessment showed Mr P had £69 a month surplus income so once the £142 is added to that (as that payment was no longer required going forward) that would have given Mr P a surplus of £211 a month. However, an increase in the credit card debt from around £9,300 to around £25,000 would have more than cancelled out that surplus, putting Mr P into a deficit had an affordability assessment been carried out in September 2023, even taking into account the fact his mortgage payment would have become part interest only and so would have been lower.

It isn’t easy to recreate what any affordability assessment was likely to have shown and I’m doing so based on Mr P’s credit file as it is now so the historical figures aren’t as precise as they would be had a check been done at the time. But, based on my calculations and having considered all the new information very carefully, I’m not persuaded it is more likely than not that Mr P would have passed an affordability assessment in September 2023, which he would have needed to have done for an application for a switch to partial interest only to be successful.

As Mr P had previously consolidated £62,114 of debt in March 2023 (a £48,544 loan and £13,570 of credit card debt) leaving around £9,300 of credit card debt outstanding, NatWest would have had understandable concerns that five months later Mr P had increased his credit card debt so significantly. Mr P has said he had run up that debt due to family issues but I think it is more likely than not that even if Mr P had passed the affordability assessment (which as I’ve set out above, I don’t think he would have) then NatWest still would have had concerns about the sustainability of the situation bearing in mind the significant increase in debt and would likely still have turned down the application.

Putting everything together I’m satisfied that Mr P:

- would always have ended the rate on sub-accounts 4 and 5 early and so would always have incurred the £540 ERC.
- couldn’t apply for a switch to interest only for sub-accounts 2, 3 and 5 before 5 September, but if nothing had gone wrong he would have made an application on that day. But based on the information that has been provided to me, I don’t think it likely that application would have been successful.

That means Mr P would still be on the fixed rate he is currently on, which is 4.14% fixed until 30 September 2028. He just would have known in September 2023, rather than March 2024, that he would be unable to switch part of his mortgage to interest only.

Originally Mr P said that he could have remortgaged in April 2023 if he'd known NatWest couldn't transfer all his sub-accounts onto interest only but the evidence and information he provided doesn't support that. He's given us three reasons why other lenders wouldn't lend to him on an interest only basis:

- His mother living in the property with him using the sale of the property as the repayment vehicle.
- Not passing the affordability check.
- The fact he had consolidated debts onto his mortgage in the previous five years.

The lender Mr P has said he would have gone to in April 2023 is the one he has said has the rule about not agreeing the mortgage if there has been any debt consolidation in the last five years, which he has said was the only barrier to them agreeing to lend in May 2024. But Mr P would also have come up against that same barrier in April 2023 as he had taken out a further advance for debt consolidation purposes in October 2018, so that would have been within five years of any potential application in April 2023.

Mr P would also have had a similar issue as he had here, in that any application would likely be considered on the basis that he didn't repay his unsecured debt. That's because a mortgage lender wouldn't themselves pay off the debt, so they may build into their underwriting an assumption that the debts would remain outstanding. That could have meant, upon full application, that Mr P wouldn't have passed the affordability check.

And the issue with Mr P's mother living in the property would have been a barrier to those lenders concerned in 2023, just as it was in 2024, so it seems those particular lenders would never have been willing to lend to Mr P.

I can't know for sure whether Mr P could have remortgaged elsewhere in April 2023 but based on what he's said that sounds unlikely and I can't hold NatWest liable for him not trying to do so.

Mr P has now said he would have waited until October 2023 (until it had been over five years since his last debt consolidation) and then remortgaged, but again I'm not persuaded that such an application would, on the balance of probabilities, have been successful.

By consolidating his debts in May 2023 Mr P reduced his monthly outgoings from around £2,130 (his existing £1,060 mortgage payment plus £1,070 to the unsecured debts) to around £1,680 a month. If Mr P hadn't taken the further advance and the new rate, then he would have paid around £2,130 a month until 31 August 2023, then around £2,830 in September 2023, and then around £2,860 a month thereafter. That's because from 1 September 2023 around £186,000 of his mortgage would have moved to the standard variable rate as his fixed rate of 1.25% would have ended.

So by taking the further advance and new rate with NatWest Mr P paid around:

- £450 a month less for June, July and August 2023
- £1,150 a month less for September 2023
- £1,180 a month less for October, November and December 2023.

It isn't clear when Mr P took the previous debt consolidation further advance out in October 2018, but even assuming that was on 1 October 2018 then he couldn't have started a remortgage application to the other lender until 2 October 2023. Assuming it would have taken around six weeks to complete, the earliest Mr P could have redeemed this mortgage would have been around 13 November 2023. By then Mr P would have paid around £4,800 more than he actually did (as well as still being liable for the £540 early repayment charge).

As Mr P had increased his credit card debt from £9,300 to around £25,000 even with the lower payments he was making, it seems his unsecured debt would have increased even more, and possibly become unsustainable, had he done nothing until October 2023 as his monthly outgoings to his mortgage and unsecured debts would have been higher. Based on what we know about Mr P's unsecured debts, and the upward trajectory, it is possible they would have been approaching £100,000 by October 2023 if the further advance hadn't been taken out to consolidate £62,000 of them. A new lender would have taken all that into consideration and it may well have meant that it wouldn't have been willing to lend to Mr P on the terms he wanted.

Having considered everything very carefully I'm not persuaded it is more likely than not that Mr P could have made a successful remortgage application to that lender in October 2023.

I'm not persuaded, for all the reasons given, that Mr P would have been able to take an interest only mortgage elsewhere either in April 2023 or in October 2023. I'm also not persuaded it is more likely than not that Mr P would have been able to transfer to part interest only with NatWest in September 2023 had an application been attempted.

NatWest has already paid £550 compensation to Mr P, that is £500 for the misinformation he was given during the process, and £50 for the delay in dealing with his complaint. It has also refunded the ERC of £543.64 to Mr P.

Whilst I don't feel the ERC should have been refunded to Mr P as that always would have been something he needed to pay, I do feel additional compensation is due (over and above the £550 NatWest previously paid) for the fact an application wasn't attempted in September 2023. Although the £543.64 was paid to Mr P for different reasons, I feel that sum represents fair compensation for the additional distress and inconvenience caused to Mr P due to the fact a September 2023 application was not attempted once that was added to the earlier failures NatWest previously identified.

As NatWest has already paid the £550 compensation and £543.64 ERC refund to Mr P I make no further order or award as I'm satisfied that total sum of £1,093.64 represents fair compensation for this complaint."

NatWest accepted my second provisional decision. Mr P didn't agree with it and made further representations.

He said he didn't think I had taken into account that every decision he made was due to being misinformed. He says he wasn't given a chance to find out about other options, and whilst he might not have found another lender he wasn't given an opportunity to find that out. Mr P said assuming he wouldn't have been able to obtain an alternative mortgage is unfair as the other lender was willing to lend to him until the additional consolidation debt was taken within five years. He says he was told this on the phone and his wife will corroborate it. Mr P also said he wouldn't have taken out additional debt if he'd been given all the information at the outset.

In a follow up email Mr P said he thought I'd misunderstood about his opportunity to get a new mortgage from another lender, and he had a mortgage agreed until it was mentioned he had consolidated debt with NatWest in the last five years.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I'm not persuaded to change my findings from those I reached in my second provisional decision.

I was sorry to read that Mr P was upset about my findings, and that he thought I had misunderstood the situation. I can reassure him that isn't the case, I've fully understood everything he has said and provided.

I don't intend to answer all the points Mr P made in his responses as he hasn't raised any new arguments that I hadn't thought about before reaching my second provisional decision and dealt with within that.

Mr P has said he wouldn't have taken out additional debt if he had been given all the information at the outset, but he knew at that time he hadn't passed the affordability assessment to switch to interest only due to his unsecured debts, which is why the debt consolidation was done first. So it should have been apparent to Mr P that he shouldn't take on more debt after that debt consolidation otherwise he would likely fail the affordability assessment again.

If Mr P hadn't taken on any additional debt after the debt consolidation was done, then I have no reason to believe NatWest wouldn't have agreed to switch his mortgage to interest only and so I don't think he was misled by NatWest into thinking he could switch when he never could have done. The problem came about because Mr P incurred substantially more unsecured debt in the short period between consolidating most of his debt in May 2023 and when I think his request to switch to interest only should have been considered in September 2023.

I understand Mr P feels he might have found another lender in April 2023 and then the additional debt would have become a moot point as he wouldn't have needed it, but there was nothing stopping him looking for an alternative provider at that time if he wasn't happy to do things in stages as NatWest proposed. However, for all the reasons I explained in my second provisional decision, I think he would have struggled at that time, with my provisional findings on that point saying:

"Originally Mr P said that he could have remortgaged in April 2023 if he'd known NatWest couldn't transfer all his sub-accounts onto interest only but the evidence and information he provided doesn't support that. He's given us three reasons why other lenders wouldn't lend to him on an interest only basis:

- His mother living in the property with him using the sale of the property as the repayment vehicle.
- Not passing the affordability check.
- The fact he had consolidated debts onto his mortgage in the previous five years.

The lender Mr P has said he would have gone to in April 2023 is the one he has said has the rule about not agreeing the mortgage if there has been any debt consolidation in the last five years, which he has said was the only barrier to them agreeing to lend in May 2024. But Mr P would also have come up against that same barrier in April 2023 as he had

taken out a further advance for debt consolidation purposes in October 2018, so that would have been within five years of any potential application in April 2023.

Mr P would also have had a similar issue as he had here, in that any application would likely be considered on the basis that he didn't repay his unsecured debt. That's because a mortgage lender wouldn't themselves pay off the debt, so they may build into their underwriting an assumption that the debts would remain outstanding. That could have meant, upon full application, that Mr P wouldn't have passed the affordability check.

And the issue with Mr P's mother living in the property would have been a barrier to those lenders concerned in 2023, just as it was in 2024, so it seems those particular lenders would never have been willing to lend to Mr P.

I can't know for sure whether Mr P could have remortgaged elsewhere in April 2023 but based on what he's said that sounds unlikely and I can't hold NatWest liable for him not trying to do so."

Whilst I've a great deal of sympathy for the situation Mr P found himself in I don't think NatWest was at fault for Mr P not being able to source an interest only mortgage elsewhere, or for not offering him a switch to interest only itself.

Having considered everything very carefully I see no reason to depart from the findings and compensation I set out in my second provisional decision.

My final decision

National Westminster Bank Public Limited Company has already paid £1,093.64 to settle the complaint and I think this sum is fair in all the circumstances. I make no further order or award.

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

Julia Meadows
Ombudsman