DRN-5792972

The complaint

Mr and Mrs J complain about arrears NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) has reported to their credit files in connection with their mortgage.

What happened

Mr and Mrs J have a mortgage with NatWest, almost all of which is on interest only terms with around ten years remaining. They were on a fixed rate under 2% until May 2024, after which the mortgage would revert to the standard variable rate (SVR). Mr and Mrs J explored taking a new fixed rate, but the best rate NatWest had available was 4.24% - Mr and Mrs J said the monthly payments at that interest rate would be unaffordable for them.

Mr and Mrs J made a previous complaint that NatWest didn't implement a new affordable interest rate when their previous fixed rate expired at the end of April 2024. Our investigator didn't think NatWest had acted unfairly because any new fixed rate it had available would be unaffordable based on Mr and Mrs J's circumstances at the time, so it wouldn't be right to tie them in. But she said that NatWest should compensate Mr and Mrs J for the upset it caused by poor service around this time. Both parties accepted that outcome.

This complaint is about credit file reporting. Mr and Mrs J complain that NatWest has reported arrears to their credit files. Mrs J in particular is concerned that the reported arrears will impact her ability to seek other finance – she needs to be able to re-finance her car for both work and family reasons.

Mr and Mrs J say that, following the end of the old fixed rate, they contacted NatWest in May 2024 to ask for help but NatWest did not provide any. They say they made a complaint about that and were advised not to make any payments until their complaint had been dealt with. In June 2024 NatWest contacted them about a missed payment, they said they had been advised not to pay and NatWest said it would put the account on hold until the complaint had been dealt with. Mr and Mrs J say they then spoke to someone else in NatWest's complaints team who told them any reported missed payments would be removed from their credit files. Mr and Mrs J say NatWest offered them a new interest rate at the end of August 2024, and said the rate would be backdated to May and the arrears written off.

NatWest said it hadn't advised Mr and Mrs J not to make any payments. It said it had been willing to discuss their circumstances and see what assistance it could offer if they were in difficulty, but it hadn't told them not to pay while their complaint was being investigated. And it hadn't told them it would remove any reported arrears from their credit files, or that it would write the arrears off. The credit files accurately show that Mr and Mrs J missed payments over that period. It had however backdated the interest rate, which reduced the arrears by around £1,550 – but didn't clear them altogether. Mr and Mrs J remained in arrears of around £2,670 which wouldn't be written off. It offered £150 compensation for some confusion and delay in dealing with their complaint.

Our investigator didn't think it would be fair to ask NatWest to write off the remaining arrears or remove them from Mr and Mrs J's credit files. However, she thought that NatWest hadn't properly managed their expectations and should pay £350 compensation. It should also consider whether capitalising the outstanding arrears would be appropriate and if not seek to come to some other arrangement. Mr and Mrs J didn't accept that, and NatWest didn't agree either, so the complaint comes to me for a decision.

I agreed that the complaint should be upheld, but for different reasons and I thought that more compensation was appropriate. So I issued a provisional decision setting out my thinking and inviting the parties to make further comments before I make a final decision.

My provisional decision

I said:

> "Mr and Mrs J were on a low fixed rate until 2024. As the fixed rate was expiring, they looked at what rates NatWest had available. But NatWest's new fixed rates were not affordable for them – and the SVR even less so.
>
> As the investigator who dealt with the previous complaint said, it wouldn't be appropriate for NatWest to tie Mr and Mrs J into a new fixed rate that would clearly be affordable for them, because any new fixed rate would come with an early repayment charge.
>
> I've therefore considered what happened when Mr and Mrs J rang NatWest to ask for alternative help, after they were told that it couldn't offer them a new fixed rate that would be affordable.
>
> Mrs J asked to speak to NatWest's financial assistance team, to see what alternative help it could offer. That was the right thing to do. But NatWest's financial assistance team refused to speak to her, even when the adviser Mrs J was speaking to tried to put her through. The team said it would only talk to her if she had a plan for what it called "rehabilitation". In other words, NatWest's financial assistance team wouldn't even talk to Mrs J – let alone consider what help it might be able to offer – unless she already had a plan in place to get the mortgage back on track within a few months.
>
> I don't think this was appropriate. I would expect NatWest, acting fairly, to make sure that Mr and Mrs J could speak to NatWest advisers trained to help customers experiencing financial difficulty. It should explore their circumstances, consider all the various forms of forbearance set out in the rules of mortgage regulation, discuss their options, and where possible agree appropriate forbearance. The rules, and the regulator's guidance, do not say that forbearance should not even be considered unless a customer already has a firm plan in place to resume full payments. In the circumstances, I don't think it's fair that NatWest wouldn't even agree to discuss forbearance and support with Mr and Mrs J, let alone consider what it may be able to offer, unless they already had an expected resolution to their financial difficulties in place.
>
> In Mr and Mrs J's situation as it was at the time, it may be that nothing could have been done. Because of interest rate rises, their mortgage was no longer affordable. NatWest isn't required to create a new lower interest rate that it doesn't already offer in those situations. But it may have been able to offer temporary assistance – such as a reduced payment arrangement – while Mr and Mrs J explored other options, such as a benefits claim or Mrs J seeking employment. All of this should have been considered, and by refusing to engage with Mr and Mrs J about it, NatWest did not in my view treat them fairly.
>
> However, I'm not persuaded that Mr and Mrs J were told at any point that they didn't

need to make payment while their complaint was being dealt with. I've not seen or heard any evidence of that, and in my experience no lender would ever tell a customer not to make payment if they could. So I don't think its likely NatWest told them they didn't need to make any payments, or that it wouldn't report missed payments to their credit files.

In the end, NatWest did agree to offer a new fixed rate, and agreed to backdate it to the end of the old one. I think that's fair. It puts Mr and Mrs J in the position they would have been in had they taken a new fixed rate immediately rather than going on to the SVR for a couple of months. Mr and Mrs J have struggled on the new fixed rate, but their payments are lower than they would have been on the SVR and they have largely managed to make them. NatWest has refunded the difference between the interest charged on the SVR and the interest they would have been charged had the new fixed rate been put in place sooner – this has reduced the arrears resulting from the missed payments.

But it wouldn't be fair to treat the mortgage as if the old, lower, fixed rate had continued beyond May 2024. That was never available to Mr and Mrs J, because the rate had expired as scheduled and a rate at that level was no longer available following increases in interest rates in the meantime. The only rates open to Mr and Mrs J were from NatWest's range at the time, which is what they've ended up taking.

It also wouldn't be fair to expect NatWest to write off the arrears resulting from the payments Mr and Mrs J didn't make after their mortgage reverted to the SVR. NatWest has reduced the arrears to reflect the backdating of the interest rate. But the payments in June and July were always due, and Mr and Mrs J would always have had to pay them. The arrears now reflect missed payments calculated at the fixed rate not the SVR.

I appreciate the payments on the SVR were unaffordable for them. But I'm not persuaded that NatWest told Mr and Mrs J to withhold payment altogether, that they didn't need to pay while their complaint was being considered, or that it advised them not to pay what they could afford. For the same reasons, it wouldn't be fair to amend Mr and Mrs J's credit files to show that they did make those payments and that their mortgage was not in arrears when they in fact missed those payments.

However, if NatWest had dealt with their request for help in May properly, by ensuring its financial support team engaged with them and explored appropriate forbearance, Mr and Mrs J might not have been in the same position they are in now. It might, for example, have been appropriate to agree a temporary reduced payment arrangement. If that had happened, their credit files would still show missed or reduced payments, but show them as missed by arrangement rather than just missed. If that had happened, I don't think that would have changed Mrs J's ability to obtain new car finance. The credit file would still show missed payments, albeit by arrangement. And in any case, leaving aside the credit file, in their circumstances where the mortgage was unaffordable then it's likely car finance would be too – and a responsible car finance provider would not lend if doing so is unaffordable. So I'm not persuaded Mrs J being unable to get new car finance was the result of any failure by NatWest.

But I do think NatWest's refusal to consider whether and how it could help Mr and Mrs J in May 2024 caused them real distress. It's clear from listening to the call she had on 3 May how upset and desperately worried about her situation Mrs J was. Rather than refusing to engage, NatWest should have put Mrs J through to its financial assistance team, and that team should have explored her situation and considered what forbearance it could offer. If it had done that, increased upset at an already very stressful time could have been avoided.

NatWest then made things worse when Mr and Mrs J complained. An individual staff member gave Mrs J false reassurance that NatWest should remove the arrears from her credit file – advising them that in her opinion it should do so. That wasn't something NatWest could reasonably be expected to do, because the payments were missed and NatWest didn't tell Mr and Mrs J not to make them. That staff member shouldn't have offered her (inaccurate) personal opinion of what NatWest should do, giving them false hope. When NatWest didn't agree to do that in resolving the complaint, that made their upset worse.

Putting things right

For those reasons, I'm satisfied that NatWest caused Mr and Mrs J substantial additional distress and inconvenience, lasting several months, at what was an already difficult time for them. When they asked for help, it turned them away. And then it gave them false hope about the outcome of their complaint. I think £650 compensation is fair and reasonable in all the circumstances.

As I've said, it wouldn't be fair to expect NatWest to amend Mr and Mrs J's credit files to show no missed payments at all. But if it had been willing to engage with them and offer some forbearance, it may well have offered – or ought to have offered – a temporary reduced payment arrangement while they explored other options. It should therefore amend their credit files to show arrears by arrangement rather than simply arrears.

Finally, NatWest should engage with Mr and Mrs J now to see what forbearance it can offer in the management of the remaining arrears. Options include agreeing a payment arrangement or capitalising the arrears. That will depend on an assessment of what Mr and Mrs J can afford."

NatWest didn't make any further comments. Mr and Mrs J said:

- They were advised not to make any payments. This was because once the fixed rate expired there was no rate in place so there was no amount they could pay. They weren't told what to pay.

- NatWest's staff member told them the arrears would be waived.

- Because of NatWest's errors, their mortgage has gone into arrears, their credit files have been impacted and their health has been affected. It has had a massive impact on them.

- NatWest should pay more compensation. It should correct their credit files. They were not at fault. They had never missed a payment before this, and that should be taken into account too.

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.

I've re-visited my provisional findings, and thought carefully about what Mr and Mrs J have said. But I haven't changed my mind. As I said in my provisional decision, I've not seen any evidence from the time that NatWest told them not to, or that they didn't need to, make payments while their complaint was being considered. In my experience, no lender would say that – not least because it's not true. And it's not correct to say that there was no rate in place, or no set payment amount, once the fixed rate expired. When another fixed rate wasn't put in place, the mortgage reverted to the standard variable rate, and the monthly payment was based on that interest rate rather than the fixed rate. NatWest would have written to Mr and Mrs J notifying them of the change in payments following the end of the fixed rate.

Mr and Mrs J were in a very difficult situation. Their mortgage had become unaffordable because of interest rate increases. That wasn't NatWest's fault. But NatWest should have tried to help them and offer forbearance, and it didn't do that. It should compensate them for the upset that caused, and it should amend their credit files as if it had offered forbearance. But it wouldn't be fair to require it to waive the arrears when that is money Mr and Mrs J always owed. It also wouldn't be fair to require NatWest to remove the missed payments from their credit files entirely, when they didn't pay and I'm satisfied that wasn't because NatWest told them not to. I also think the level of compensation I suggested in my provisional decision is fair in all the circumstances. It reflects the fact that Mr and Mrs J's wider financial difficulties were not caused by NatWest – but that this was an already difficult time for them, and its failure to help them appropriately made that worse.

My final decision

My final decision is that I uphold this complaint and direct NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY to:

- Pay Mr and Mrs J £650 compensation (this is in addition to the £150 offered for complaint handling).

- Amend Mr and Mrs J's credit files so that they show the 2024 arrears as arrears by arrangement.

- Contact Mr and Mrs J, engage with them sympathetically, and seek to agree a plan to resolve the remaining arrears balance – for example through capitalisation or an affordable repayment arrangement. What is appropriate will depend on an assessment of their circumstances as they are now.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 2 October 2025.

Simon Pugh
Ombudsman