

The complaint

Mr and Mrs N complain that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY has not treated them fairly in the way it administered their mortgage.

What happened

In August 2018, Mr and Mrs N took a mortgage with NatWest over a term of 15 years and 8 months.

In September 2018, Mr and Mrs N took out additional borrowing and reduced the term of the mortgage to 8 years 8 months.

In December 2023, Mr and Mrs N switched parts one and two of their mortgage to a tracker rate until 31 March 2026. Part three was on a fixed rate until 31 August 2025. All three parts of the mortgage had a remaining term of 3 years and 5 months.

Mr and Mrs N complain that NatWest requires a minimum term of 27 months to allow a switch to a new interest rate product. They consider NatWest should have told them when they had 27 months left on their mortgage, so they could switch to a fixed or discounted rate in time or offered a fixed rate with a shorter duration. Mr and Mrs N said that they have been left with no choice other than to pay the standard variable rate (SVR) or extend the term of the mortgage. They do not consider that is fair.

The investigator did not think the complaint should be upheld.

Mr and Mrs N did not accept what the investigator said. They responded to make a number of points, including:

- The central issue was not whether NatWest was obliged to contact customers 27 months before the mortgage term expired. Rather the combination of internally system restrictions and absence of timely communication left them with no realistic option other than to switch to SVR or extend the term.
- If NatWest is unable to offer a discounted or fixed rate product where there is less than two years remaining of a mortgage term, then it is NatWest's responsibility to communicate that in advance. If they'd been told earlier, they would have had the opportunity to restructure their mortgage or extend the term "proactively".
- Because of the lack of communication they will either move to SVR that is higher than products that would have been available if appropriate notice had been given. Their loan-to-value is under 12% that is very low risk for NatWest – and that highlights how the outcome does not align with fair value principles.
- NatWest had not shown that it had acted in line with the consumer duty – and in particular, consumer support, consumer understanding and price and value.

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.

When Mr and Mrs N varied the mortgage, NatWest set out the terms of the products they'd agreed to. Parts one and two of the mortgage had a tracker rate that applied until 31 March 2026 followed by the SVR. Part three had a fixed rate until 31 August 2025, followed by the SVR. The information in the variation agreements was set out in a clear, fair and not misleading way. As far as I can see, the mortgage has operated in line with the terms of the mortgage that Mr and Mrs N accepted.

The consumer duty is one of the things I must take into account to decide what in my opinion is fair and reasonable in the circumstances of this case. I accept that NatWest had a duty to support customer understanding and to equip them to make decisions that are effective, timely and properly informed. The variation agreement set out the terms of the mortgage – including the length of the tracker and fixed rates, the term of the mortgage and any early repayment charges (ERC).

Taking into account what the consumer duty says about price and value, I don't consider that any of the rates were unfair or unreasonable – the applicable rates and the duration of the rates were not out of line with what was offered elsewhere on the market at that time.

I don't consider that there was any requirement for NatWest to tell Mr and Mrs N that they only had 27 months left on their mortgage (around February 2025) and that was the shortest remaining term where it could offer new rates. While the FCA's rules set out that mortgage lenders must write to customers when certain events occur – this is not one of them. Further, there was the potential for harm if NatWest contacted Mr and Mrs N at that point. They were tied into all three parts of their mortgage – if they came out of either the tracker or fixed rates at that point they would have incurred an ERC.

The appropriate point to consider whether to extend the term and/or take out a new interest rate product was when the fixed rate ended in August 2025. There was no detriment to Mr and Mrs N by arranging a term extension then – if that is what they wanted to accommodate a new interest rate product – rather than at an earlier point. The same options were available to them at that point as they were in February 2025: revert to the SVR or extend the term of the mortgage.

While I understand that Mr and Mrs N find NatWest's SVR to be high, it is not out of line with the reversionary rates offered by other high street lenders. So I do not consider that it is unfair, taking into account what they agreed to when they took the mortgage out and the price and value outcome under consumer duty. And as I have explained it is open to them to discuss the possibility of extending the term to accommodate a new interest rate product if they do not wish to pay the SVR.

NatWest said that the consumer duty did not force lenders to provide products that meet every possible permutation and its target market was long-term mortgages. I don't consider that is unreasonable. It is not out of line with other lenders that only offer fixed rates with a minimum term of two years.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N and Mrs N to accept or reject my decision before 23 March 2026.

Ken Rose
Ombudsman