

complaint

Through a Claims Management Company (CMC), Ms H and Mr R complain that they were mis-sold a mortgage by National Westminster Bank Plc (NatWest).

background

In 2012 Ms H and Mr R applied to NatWest for a mortgage on the home they already owned. The property had been purchased in January 1997, for just under £100,000. It had later been remortgaged to another lender and an additional £100,000 was borrowed. The additional borrowing was used to buy out Ms H's former husband.

So at the time Ms H and Mr R approached NatWest in April 2012, they had a mortgage of £200,000 on the property. This was an interest-only mortgage with no repayment vehicle.

After discussing their mortgage requirements with NatWest, Ms H and Mr R took out a new mortgage of £210,000, using the extra £10,000 to consolidate debts. This mortgage was a two-year fixed rate mortgage, on an interest-only basis, over 22 years. The first two years of the mortgage were on a fixed rate. In the application documents, the repayment method is given as 'pension'.

The remortgage completed, and in 2014 when the fixed rate expired the CMC lodged a complaint on behalf of Ms H and Mr R that the mortgage had been mis-sold.

In summary, the CMC says that:

- the mortgage was unaffordable from the outset;
- it extended into Ms H's and Mr R's retirement;
- there was no discussion about what would happen at the end of the fixed rate period;
- there was no repayment vehicle.

NatWest didn't uphold the complaint. It was brought to us and was considered by an adjudicator. She didn't recommend the complaint should be upheld. She was satisfied the mortgage met Ms H's and Mr R's needs. It had been sold on a non-advised basis and so it was up to Ms H and Mr R to decide if it was suitable for them.

The CMC disagreed and asked for an ombudsman to review the complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I've reached the same conclusions as the adjudicator, for broadly the same reasons.

Ms H and Mr R already had an interest-only mortgage with no repayment vehicle when they approached NatWest in 2012. So it seems they were already familiar with this type of product. They'd reached the end of the fixed rate on their existing mortgage and had taken financial advice. They'd been advised to stay with their current lender, because their adviser thought it would be difficult to remortgage elsewhere. But Ms H and Mr R approached NatWest direct.

It is important to look at what the CMC has said about Ms H's and Mr R's intentions at the time.

- The CMC has explained that they wanted an interest-only mortgage because at the time they couldn't afford a repayment mortgage.
- The CMC says that Ms H and Mr R needed some breathing space, to consolidate debts and to fix their repayments for the short term. The mortgage they took out achieved this.
- The CMC also says that NatWest told Ms H and Mr R that they could make lump sum payments off the mortgage once they were out of the fixed-rate period. So, the CMC says, Ms H and Mr R decided to defer making any capital repayments until after the fixed term had expired. The CMC also says *“at the time NatWest offered an interest only mortgage with no repayment vehicle in place, which in the short term was the most affordable option...”*.

I agree that, on their income, a repayment mortgage wouldn't have been affordable. So at the time an interest-only mortgage was the only available option.

But Ms H and Mr R told NatWest that the repayment method was 'pension'. This doesn't seem to me to be implausible. Mr R in particular was in a fairly senior position in a career that has generally good pension provision.

The mortgage does provide for lump sum payments of up to 10% per annum. It is also possible to set up regular monthly overpayments. So even if Ms H and Mr R don't have any pension provision, they could have done what the CMC says they intended to do and make capital repayments once the fixed term expired.

The mortgage wasn't unaffordable from the start. By repaying their unsecured debts, Ms H and Mr R reduced their monthly outgoings considerably. There is no evidence that mortgage payments have been missed or that the mortgage is in arrears.

I'm also satisfied that the mortgage doesn't run into retirement. At the time they took out the mortgage Ms H and Mr R were aged 43 and 44 respectively. State Pension Age for them both is 67. So if the mortgage runs for the full 22-year term, Ms H will be 65 and Mr R 66 when it ends. And if they follow their intention to make capital repayments – either in lump sums or by increasing their monthly repayments – they may have repaid the mortgage before the end of the term in any event.

No advice was given by NatWest about this mortgage. The mortgage offer makes it clear that it is Ms H's and Mr R's responsibility to ensure they have a suitable method in place to repay the capital. The offer also strongly recommends that Ms H and Ms R should take advice about this. From what the CMC has said, it seems Ms H and Mr R already had a strategy in place to make capital repayments at the end of the fixed rate period. This is in addition to them telling NatWest they were going to use a pension to repay the capital.

I'm also not persuaded that debt consolidation was unsuitable here. NatWest didn't recommend or advise Ms H and Mr R about this. But the CMC says that when they approached NatWest, Ms H and Mr R were having some difficulty meeting their existing commitments. They'd reached the end of their current fixed rate and needed a short-term solution.

The mortgage arranged by NatWest provided this short-term solution, to give Ms H and Mr R some breathing space. The mortgage also provided a long-term repayment strategy, in the absence of any repayment vehicle, by allowing lump sum payments to be made.

So in all the circumstances, I don't think this mortgage was mis-sold by NatWest. The mortgage met Ms H and Mr R's needs and provided them with both a short-term solution to their financial difficulties as well as a long-term option to repay the mortgage through overpayments over the remaining term, should they not want to use their pension.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms H and Mr R to accept or reject my decision before 30 October 2015.

Jan O'Leary
ombudsman