

The complaint

Mr and Mrs B's complaint is about a mortgage they have with National Westminster Bank Plc (NatWest). They are unhappy that a fixed interest rate product they wanted to be attached to their mortgage in April 2022 was not and the mortgage reverted to NatWest's standard variable rate (SVR) of interest.

In settlement of the complaint Mr and Mrs B would like the interest rate product discussed in 2022 to be added to their mortgage as at that time, and the additional interest they've paid refunded. In addition, they want NatWest to pay them £1,000 for the stress and inconvenience they have been caused.

What happened

In March 2022 Mr and Mrs B had an existing mortgage with NatWest. Attached to it was a fixed interest rate product, which was due to expire on 31 March 2022. At that time they wanted to pay a lump sum off the mortgage so that it would be paid off early. In order to pay the lump sum off the mortgage without an early repayment charge (ERC) being applied, they needed to wait for the interest rate product to expire. This happened, the mortgage reverted to SVR, the lump sum was paid and Mr and Mrs B made an application to reduce the remaining term on the mortgage. This was agreed and applied.

A new fixed interest rate product was discussed during April 2022 within this process, but they were told they would need to pay the lump sum off the mortgage and alter its term before attaching a new product. Once those things had been completed, Mr and Mrs B could then apply for a new product. They didn't do so, and the mortgage remained on SVR.

Mr and Mrs B complained to NatWest in October 2022. NatWest responded to the complaint in a letter of 28 November 2022. It detailed the discussions and actions that had happened in April 2022 and concluded that Mr and Mrs B had not requested the interest rate product mentioned. The complaint was not upheld.

Mr and Mrs B went back to NatWest with a copy of documentation from the term change process. This detailed the two mortgage sub-accounts and said they were on '*2 year fixed – The Lender's Standard Variable Rate, currently 3.99% for the term of this mortgage*'. NatWest reviewed its decision in light of the evidence Mr and Mrs B had highlighted, but he didn't change its mind.

Mr and Mrs B weren't satisfied with NatWest's response and asked the Financial Ombudsman Service to consider their complaint. One of our Investigators did so, but he didn't recommend the complaint was upheld.

Mr and Mrs B didn't accept the Investigator's conclusions and asked that an Ombudsman review the complaint. When doing so they highlighted that NatWest had not initially provided us with all the calls between Mr B and it. In addition, while NatWest had provided them with recordings of Mr B's calls with it, it had not provided them with transcripts as they had requested and believed they were entitled to. Mr B reiterated that he assumed when mention was made of a fixed rate of 1.53%, which was the rate that had ended a few weeks earlier,

he assumed NatWest must have been talking about the new rate of 2.51% he had said he'd wanted in earlier discussions.

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 note that Mr and Mrs B believe that NatWest have not provided recordings of all the calls Mr B made to it. He has said there were five calls. We have been provided with three call recordings and NatWest has said it has no record of the first two Mr B has said he made. Given the length of these calls – only two or three minutes – I think it is possible that Mr B didn't actually get through to a member of staff and so there would not be a recording for NatWest to provide. However, even if NatWest's systems for some reason didn't record the calls if Mr B did get through to someone, I don't think there would be anything material in those calls, given what he said on 8 April 2022 - this was that he'd been told to make the lump sum payment before making changes. I would also comment that while Mr and Mrs B were entitled to copies of the evidence upon which NatWest relied when making its decision – including that relating to the telephone calls Mr B had with it – there was nothing wrong with it providing that information as recordings, rather than producing transcripts of them.

I have listened to the telephone conversations Mr B had with NatWest on and after 8 April 2022. I am satisfied that he was aware that, unless he and Mrs B went through a formal advice process, the lump sum and term extension had to go through before a new interest rate product could be applied to the mortgage. As Mr B had previously been involved in the mortgage industry, he didn't want to go through an advice process and decided to proceed with the term alteration on a non-advised basis. He was made aware that once this had completed, he needed to go back into NatWest's online system to apply for the new interest rate product. He was told this in two separate conversations, which he clearly understood as in the last call recording, he opened the conversation confirming that he'd been told it was a three-stage process for the changes he wanted to make to the mortgage.

Mr and Mrs B have highlighted the poor wording on the term change documentation. I would agree that it was poorly worded but given Mr B's background, and likely greater than average understanding of such documentation, I am not persuaded it would have led Mr and Mrs B to believe that a two-year product with an interest rate of 2.51% had been added to the mortgage.

I note that Mr B questioned this before paying the fee for the term extension application. He has acknowledged knowing that the product mentioned by NatWest, which was different from the interest rate detailed on the documentation, was the product that had recently ended. He told us that he assumed NatWest meant the rate he had discussed with it earlier and he, therefore, didn't need to apply for a new rate as he had previously been told to do. I would also comment that it is clear the NatWest employee was confused about what Mr and Mrs B had applied for, as he told Mr B that the rate change and the term change would have to be applied for separately; he then went on to say that once the rate change had gone through, he could arrange for Mr B to speak to someone about the term change.

I also note the last conversation Mr B had with NatWest was followed up with a letter that confirmed the term change. That letter detailed the interest rate the mortgage was on as the previous fixed rate percentage followed by '310322 SVR'. I think that had Mr and Mrs B believed that a product fixing their interest rate at 2.51% for two years had been applied to their mortgage, they would have questioned this document.

As I say, I could understand if Mr and Mrs B were confused by the information detailed about the interest rate on the documentation relating to the term reduction. However, the only fixed rate mentioned in either the paperwork or the later conversation was the rate that had recently ended, and Mr B has confirmed he knew the interest rate mentioned was just that. I also have to bear in mind that it was made clear to Mr and Mrs B more than once that unless they went through an advice process, they needed to apply for a new interest rate product after the term alteration had completed. I am satisfied from what Mr B said on 21 April 2022 that he understood this. As they hadn't made that separate application for a new interest rate product, I don't consider it was reasonable that they believed a new product of 2.51% fixed had been added to the mortgage.

Mr and Mrs B have mentioned that NatWest knows that there is a problem with its systems that means the rates on documentation such as that provided to them is inaccurate and potentially confusing. They think that it should be penalised for knowing this and not fixing the issue. I would explain to Mr and Mrs B that this service deals with individual complaints. We have no authority to tell a financial business how to run that business or what systems to have in place. That is the role of the Financial Conduct Authority. As such, we can't tell a financial business what to do in relation to its systems and we do not penalise or punish financial businesses.

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 Mr and Mrs B to accept or reject my decision before 21 December 2023.

Derry Baxter
Ombudsman