

The complaint

Mr and Mrs M complain about poor advice from Nationwide Building Society when they ported their mortgage.

What happened

Mr and Mrs M met with Nationwide's mortgage adviser in May 2022. They were moving home and expected their sale and purchase to complete in late June 2022 or early July 2022. Mr and Mrs M had a fixed interest rate product that was due to expire on 30 November 2022. They applied to port their mortgage product and take out additional borrowing with a new product. Nationwide issued a mortgage offer in May 2022.

Mr and Mrs M say they spoke to the mortgage adviser again in mid-July 2022, as they were thinking of switching rates. Their sale was delayed and they were worried about interest rates increasing. They say they were advised not to switch as this could cause confusion with completion. They say they were told they could switch rates immediately after completion. This was incorrect: Nationwide doesn't allow switching until the first payment has been made. Mr and Mrs M say they would not have waited three months to switch products had they been given correct information.

I sent a provisional decision to the parties explaining why I upheld this complaint. In summary, I said Nationwide had given Mr and Mrs M incorrect information in July 2022 and should pay an additional £200 for the trouble and upset this caused. However, I didn't think Mr and Mrs M would have acted differently if they'd been given correct information. So I didn't think it was fair to require Nationwide to offer them a lower interest rate product.

Mr and Mrs M didn't agree. In summary, Mrs M said they could have taken out a new product effective from 1 August 2022 without paying an ERC and ported the new product to the new mortgage when their sale and purchase completed. She says they could have done this while keeping the rate for the additional borrowing in the mortgage offer issued in May 2022. Mrs M said she'd checked this with Nationwide.

This was very different from the information we'd been given by Nationwide. So we asked it to comment on what Mr and Mrs M had said.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

When Mr and Mrs M took mortgage advice in May 2022, they expected their sale and purchase to complete in June or July 2022. This meant their choices were to pay the early repayment charge (ERC) and take out a new product for the whole loan amount. Or port

their product and take out a new product for the additional borrowing – which is what they decided to do.

The completion of Mr and Mrs M's sale and purchase was delayed, and they contacted Nationwide for further advice in mid-July 2022.

Mrs M called Nationwide on 12 July 2022. She said she was worried about delays with their sale and wanted to discuss what options they had, including possibly completing on the purchase before the sale. Nationwide said this might be possible but would need Mr and Mrs M to make new applications, due to the number of changes. Mrs M said she didn't want to lose the mortgage rate they'd agreed for the additional borrowing. The call handler said Mrs M should speak to the mortgage adviser.

Mrs M emailed the mortgage adviser and a call was arranged for 14 July 2022. Based on the available evidence, I think this call did go ahead. Unfortunately, Nationwide can't provide notes or a recording of the call. Nationwide said no changes were made to the application, which suggests it was a call with some queries. It said it would only document changes to its advice.

Mr and Mrs M have told us why their exchange and completion were delayed and provided evidence to support what they said. Based on this, I think that when Mrs M spoke to the mortgage adviser on 14 July 2022, they expected completion of their sale and purchase to take place after 1 September 2022.

Mrs M says she was told by the mortgage adviser that making changes to the mortgage offer could cause confusion for the solicitors. And that they could switch products immediately after completion. Mrs M says given her concerns over interest rate rises, she would have proceeded with a product switch if she'd known this wasn't the case. She said they were within the window to choose a product to take effect on 1 September 2022 before porting the product to the new property on the 8 September 2022. Mrs M said they wouldn't have risked waiting until October 2022 to switch. In response to our investigator's view, Mrs M said this was the point that she wanted my final decision to address.

I think the messages exchanged by Mrs M and the mortgage adviser support what Mrs M says she was told on 14 July 2022 (that she could switch products as soon as the mortgage completed). For instance, the mortgage adviser sent a message in September 2022 which said Mrs M could call for advice or go online to choose a new deal instantly.

On balance, I think it's more likely than not that Mrs M was told (incorrectly) during the call in mid-July 2022 that they'd be able to switch product immediately after completion.

But this isn't the end of the matter. I have to consider what Mr and Mrs M would (or could) have done differently if they'd been given correct information in mid-July 2022 – that they couldn't switch products until they'd made a payment after completion.

In doing so, I've taken the following into account.

Nationwide says customers can't make an application to port a product until the product is active. That means if Mr and Mrs M had arranged for a new product to take effect on 1 September 2022 they wouldn't have been able to make an application to port the product until it was active, in early September 2022. I think it's very unlikely Mr and Mrs M would have chosen to do this, which would have put them at risk of not having a mortgage offer in place at completion.

Mr and Mrs M say they could have switched products with the new product taking effect on

1 August 2022 without paying an ERC. Nationwide said that's not right. It says a product can be reserved up to five months before the existing product is due to expire. But the earliest a new product could take effect without an ERC being paid is three months before the expiry date – in this case that would be 1 September 2022.

Mrs M said while they didn't believe it would have been necessary, they would have paid the ERC to switch earlier as this would have made financial sense. However, Nationwide says if they switched products the existing mortgage offer would have been withdrawn as this would be considered a material change.

Mrs M said on the call on 12 July 2022 that she didn't want to re-start the application or lose the rate for the additional borrowing. She confirmed in her response to my provisional decision that they didn't want to lose the rate for the additional borrowing.

I think it's unlikely Mr and Mrs M would have switched products if this meant they'd have lost the 2.54% five-year fixed rate for the additional borrowing. The equivalent five-year rate available on 14 July 2022 was 3.29%, this increased to 3.34% on 19 July 2022. The additional borrowing was the larger part of the new mortgage loan. Mr and Mrs M's existing mortgage (on a rate of 2.14%) would have moved to a higher rate sooner than 1 December 2022. And, if a new product had taken effect before 1 September 2022, they'd have paid the ERC.

I understand that Mr and Mrs M were worried about interest rates rising, and would have wanted to secure a new rate as soon as possible. But I have to balance this against the significant downsides of switching products and making a new application in mid-July 2022. Overall, even if they'd been given correct advice, I think Mr and Mrs M would have decided to continue with the mortgage offer they already had.

I think Nationwide applied its policy correctly when it said Mr and Mrs M had to make a mortgage payment before they could switch products.

It follows that I don't think it's fair and reasonable to require Nationwide to apply a product with a lower interest rate to Mr and Mrs M's mortgage.

I do think though that the incorrect information caused unnecessary upset and trouble.

Mrs M couldn't carry out a product switch online after completion. When she tried this, she got a message that the service was for existing customers only. Mrs M called Nationwide on 13 September 2022 but the call handler didn't explain what the real problem was. And Mrs M received a message from the mortgage adviser that same day suggesting she could choose a new deal online instantly. After Mrs M was told they needed to make a payment, there was further confusion as to whether they had to wait until they'd made a monthly payment on the due date or if they could switch after making an earlier payment.

It's clear from the calls that Mrs M was worried about rates increasing before she was able to secure a new product. Some of Mr and Mrs M's worry and frustration could have been avoided if Nationwide had given them clear information. I think Nationwide should pay compensation of £200 for the upset and trouble this caused.

My final decision

My decision is that I uphold this complaint and order Nationwide Building Society to pay compensation of £200. This is in addition to the £100 compensation it paid for delays in responding to Mr and Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 22 January 2024.

Ruth Stevenson
Ombudsman