

The complaint

Mr H complains he understood his mortgage with National Westminster Bank had a fixed interest period of two years, but the fixed interest period was two years and two months. Mr H wanted to sell the property before this, without paying an Early Repayment Charge.

What happened

Mr H said he bought his property in early May 2021, with a two year fixed rate mortgage from NatWest. He said he intended to sell the property in May 2023, and had expected that his previous mortgage deal would have ended by then. But NatWest said it didn't end until July 2023, so Mr H said he would now have to pay an Early Repayment Charge ("ERC"). He thought that what NatWest had done was misleading, and he wanted it to waive the ERC.

NatWest didn't think it had done anything wrong. It said Mr H took out this mortgage through a broker, and it was the broker's responsibility to explain this mortgage to Mr H, if he hadn't been clear about it. NatWest thought everything it had provided to Mr H was clear. It does have a pre-set expiry date for its fixed interest rate mortgage products, and it said that this was all confirmed in the offer letter which it sent to Mr H, and which he accepted.

NatWest said this was fairly standard across the industry. The badge of two year or five year rates enables customers to compare across different lenders and deals.

NatWest said if Mr H redeemed his mortgage before the end of the fixed interest rate period, then, in line with the offer he received, he would have to pay an ERC.

Mr H said he was very familiar with finance agreements, and if something says two years, it should be exactly that.

Our investigator didn't think this complaint should be upheld. She said it was Mr H's broker's responsibility to make sure Mr H understood the offer, not NatWest's. She said she'd checked the documentation NatWest provided, and that does confirm when the fixed rate ended, as well as when an ERC would apply. She thought this documentation was clear, and she didn't think NatWest had to do any more.

Mr H didn't agree. He said we'd missed the point. What he had, was sold as a two year product, but it wasn't. Mr H was adamant that this was misleading. Our investigator still thought the offer documents were clear. Because no agreement was reached, this case was passed to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

NatWest has explained to Mr H that the use of the term “two years” when it’s applied to a fixed interest rate mortgage deal, is simply intended to allow customers to compare different mortgage products across the market more easily.

I understand that Mr H feels strongly about this, and his view is anything advertised as “two years” should mean exactly two years. He’s sent us a screenshot of NatWest’s current web pages about mortgages, which refers to two year fixed rates, without further explanation.

I don’t think it’s likely that NatWest’s web pages were exactly the same in 2021 as they are now, and even if they were, Mr H hasn’t told us that he relied on those at the time. I don’t think those are key to my decision here.

I think the key is, as our investigator said, to look at the documentation that NatWest provided. What did offer did NatWest make to Mr H back in 2021, and what did he sign? So I’ve looked at the mortgage offer Mr H received in 2021. I think it’s important to note that every time NatWest refers there to a two year fixed rate mortgage, it includes the end date for the fixed rate, as follows –

“The product is a 2 year fixed (purchase) - A fixed rate of 1.98% until 30/6/2023.”

So I think that NatWest was clear about what it was offering Mr H, and this is the offer he took up. I don’t think the offer was misleading.

Mr H says that the term “two years” is used in other areas of finance to mean exactly that. I don’t think that precludes it being used here with the qualification that NatWest has set out, very clearly, in its offer.

What Mr H has said now, does suggest that he didn’t know exactly how his mortgage would work, when he took it out. But I can see that NatWest stressed to Mr H, on its offer, that he shouldn’t just read it, he should also take independent legal advice on it. And, as NatWest has said, Mr H took this out through a broker. That broker is responsible for advising Mr H about the contract he was signing. So if Mr H hadn’t realised when the fixed rate deal on his mortgage would end, or when the ERC would cease to be payable, I don’t think it would be fair and reasonable for me to hold NatWest responsible for that.

I would also note that there are reasons why many mortgage lenders choose to have a pre-set end date for the fixed interest rate mortgage offers they make. Unlike the other areas of finance which Mr H mentioned, it’s not unusual for mortgage offers to remain in place for several months, before they are taken up. And again unlike many other areas of finance, the person taking out the mortgage often isn’t entirely in control of when the product will be taken out – because that’s dependent on when they complete the purchase of their property, a process which often takes several months and is subject to change or slippage. So putting a pre-set end date in place allows for certainty on all sides when the offer is accepted. I haven’t been able to see that this overall approach has produced a result here which is unreasonable or unfair.

I know that Mr H will be disappointed by my decision, but I think NatWest made a clear offer in 2021, when it said to him he would need to pay an ERC if he redeemed this mortgage before 30 June 2023. And more recently it has followed the terms of the contract that it agreed with Mr H in 2021. I don’t think that NatWest has to waive or repay that ERC now. And because I don’t think NatWest has been unfair or unreasonable here, I don’t think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 February 2024.

Esther Absalom-Gough
Ombudsman