

The complaint

Miss B and Mr K complain about their mortgage with Nationwide Building Society. They say it didn't notify them when their fixed interest rate came to an end, which meant they lost out on the chance to take a new fixed rate straightaway.

What happened

Miss B and Mr K have a mortgage with Nationwide. In 2020 they took a two year fixed rate, expiring in 2022.

On 6 July 2022, Nationwide says it sent Miss B and Mr K a letter reminding them that their interest rate was coming to an end. Miss B and Mr K say they didn't receive this letter. As a result, they didn't apply for a new rate in time, and moved onto Nationwide's standard mortgage rate for August 2022.

Miss B and Mr K took a new fixed rate on 30 July, but it didn't take effect until September – for it to be implemented for August, they would have needed to apply by 24 July. So they complained that Nationwide hadn't properly notified them of the expiry of the old rate in time for them to make an application – as a result, they'd paid more than they needed to in August. They said Nationwide should have emailed, called or texted them as well as sending a letter.

Our investigator didn't think the complaint should be upheld, so Miss B and Mr K asked for an ombudsman to review it.

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.

Miss B and Mr K took their existing rate out in 2020. The offer said the rate would run until 31 July 2022, after which their mortgage would move on to Nationwide's standard rate. In the absence of an application for a new rate by the deadline to make a change in time, therefore, Nationwide correctly applied the interest rate the mortgage contract said would be applied in August 2022.

But while Nationwide was entitled to apply the rate set out in the contract, I also need to think about whether in doing so it acted fairly and reasonably in all the circumstances. So I've also taken into account whether it did enough to make Miss B and Mr K aware of what would happen and what action they would need to take.

Nationwide wrote to Miss B and Mr K on 6 July 2022. It wrote to their address – the same address it has used for all other correspondence, and the same address Miss B and Mr K have given to us. I'm satisfied that the letter was correctly addressed and that Nationwide sent it. It's true that letters do go astray in the post from time to time – but that's a rare occurrence, and on balance I think it's more likely than not that the letter was received by Miss B and Mr K, even if they didn't notice it or realise its significance at the time, or don't

recall receiving it now.

The letter said in prominent bold type “Your mortgage deal is ending soon”, and in even larger type that their interest rate would increase from 1.49% to 4.49%. It went on to say that Miss B and Mr K could apply to Nationwide for a new interest rate. It gave them some examples of rates that were available and told them they could apply either online or over the phone. And it said, “Complete your application before 10am on 24th to switch for next month”.

I’m therefore satisfied that Nationwide made it clear to Miss B and Mr K that their interest rate was coming to an end, that their payments would increase, and that if they wanted to apply for a new rate there was a deadline for that to happen to avoid moving on to the standard rate. And it’s more likely than not that Miss B and Mr K received this letter.

But even if they didn’t receive the letter, I think Nationwide still did enough to make them aware of when their existing interest rate came to an end. In 2020 it gave them a mortgage offer which said the rate would expire after 24 months. And Nationwide’s annual mortgage statements include information about interest rates. The statement it sent Miss B and Mr K in January 2022 said their mortgage interest rate was 1.49%, that this was a two year rate, and that it expired on 31 July 2022.

The rules of mortgage regulation don’t require a lender to invite customers to apply for a new rate – they merely require a lender to notify a customer if their monthly payments are about to change, giving reasonable notice. The rules don’t specify how that notice should be given.

It’s up to customers to apply for a rate – it wouldn’t be right for a lender to impose one without an application. That’s because new fixed rates include early repayment charges. Some customers actively choose not to take a new rate, for example because they might be thinking about selling their property or want to have the flexibility to overpay. It wouldn’t be reasonable for a lender to assume a customer wanted a new rate and commit them to an early repayment charge without their agreement.

Nationwide therefore went beyond what it was required to do. It told Miss B and Mr K that their payments would change, but it also made clear how they could apply for a new rate if they wanted to – but that it was up to them to apply. It did this when they applied for their existing rate in 2020, on their annual statements, and again in July 2022.

I’m satisfied Miss B and Mr K had enough information to know when their rate ended and what to do about it. I don’t think that Nationwide was required to follow up the letter with an email, text or call. Ultimately it was up to them to apply for a new rate, and if they didn’t do so by the deadline I don’t think it would be fair and reasonable to require Nationwide to refund additional interest they’ve paid as a result.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss B and Mr K to accept or reject my decision before 20 September 2023.

Simon Pugh
Ombudsman