

The complaint

Mr and Mrs F complain about delays when they applied to re-mortgage with National Westminster Bank Plc. They ended up staying with their existing lender, but by the time they took out a new product interest rates had increased. Mr and Mrs F say their mortgage will cost about £5,000 more over five years. They ask for compensation, or that NatWest pays the early repayment charge (ERC) to their lender so they can re-mortgage.

What happened

Mr and Mrs F made an on-line mortgage application to NatWest in August 2022. There were delays with the application. The valuation was lower than Mr and Mrs F had expected, which meant they had to choose a new product from a different loan to value range. By this time, product interest rates had increased.

In response to Mr and Mrs F's complaint NatWest said it would allow them to take out a product available in August 2022 and compensate them for the cost of being on their lenders standard variable rate (SVR) for 46 days. It paid £100 compensation.

Mr and Mrs F say they couldn't accept NatWest's offer as by the time they received the final response (in December 2022) they'd taken out a new product with their existing lender. They said they couldn't take the risk of waiting for the outcome of their complaint when living costs and interest rates were rising. They'd have paid an ERC to their lender if they re-mortgaged.

I sent a provisional decision setting out why I intended to uphold this complaint and order NatWest to pay compensation. I said the starting point to calculate compensation would be the rate Mr and Mrs F could have taken out with NatWest if there hadn't been the delays caused by NatWest. But this should be discounted for various reasons, including that NatWest wasn't responsible for all of the delays and that Mr and Mrs F would receive the payment before they had to pay all of the interest.

NatWest sent calculations for the compensation, as I'd requested.

Mr and Mrs F didn't agree. In summary, they said it wasn't fair to expect them to be familiar with the re-mortgage process or suggest that as consumers they bear partial responsibility for a bank's errors. They said they'd have been able to take out a rate in late August 2022 if NatWest hadn't caused delays.

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.

Mr and Mrs F submitted an online mortgage application to NatWest on 1 August 2022 on a

non-advised basis. They said they wanted to re-mortgage on 1 November 2022. They chose a product from NatWest's 60% loan to value range.

NatWest accepts there were delays with Mr and Mrs F's application. It told them it would send an email to register for the online document process. The email didn't arrive and Mrs F called NatWest in mid-September 2022 to ask what was happening. The application then proceeded, and NatWest booked the valuation for late September 2022.

The property was valued at £275,000, which was lower than Mr and Mrs F's estimated value of £328,000. The lower valuation meant Mr and Mrs F had to choose a new product from NatWest's 75% loan to value range. NatWest called Mr and Mrs F on 30 September 2022, to tell them about the valuation and that they'd need to look online to choose a new product.

Mrs F said the property was down valued due to the delays. I haven't seen anything to suggest that was the case. The valuation was carried out by a member of the Royal Institution of Chartered Surveyors, so I think the valuer was suitably qualified. NatWest raised Mrs F's concerns about the valuation with the valuer, who didn't change the valuation. I think it was fair and reasonable for NatWest to rely on the valuer's expert opinion.

NatWest's notes say it told Mrs F on 5 October 2022 it would expedite their application. I think there'd have been time for Mr and Mrs F to re-mortgage on 1 November 2022, as they'd intended. However, interest rates had increased since late July 2022. From 3 October 2022 a five-year product equivalent to the one Mr and Mrs F had chosen but with a maximum 75% loan to value ratio had an interest rate of more than 5%.

Mrs F made a complaint in mid-October 2022 about the delays with the application, saying this meant they missed out on the lower rates available in August 2022.

NatWest issued a final response to Mr and Mrs F's complaint on 6 December 2022. It said their application could proceed with a product available on 1 August 2022. And it would compensate them for the cost of being on their lenders standard variable rate for 46 days.

Mr and Mrs F didn't accept this offer because they'd taken out a new product with their lender. They'd have incurred an ERC if they'd re-mortgaged. Mr and Mrs F say the product they took out has a rate of 3.99%. They say this will cost about £5,000 more over five years than if they'd re-mortgaged with NatWest.

Was NatWest's offer fair?

In many circumstances, NatWest's offer (to allow Mr and Mrs F to take out a rate available in August 2022 and cover the cost of being on their lender's SVR) would have been fair. But I don't think that was the case here.

In October 2022 interest rates for NatWest's products equivalent to the one Mr and Mrs F had chosen were over 5%. This was higher than the rate offered to Mr and Mrs F by their existing lender (of 3.99%). It's understandable that they didn't continue with the re-mortgage in October 2022, given this would have meant paying a higher interest rate.

Mr and Mrs F's product was due to expire on 31 October 2022. Interest rates were increasing at that time. Mr and Mrs F didn't know when they'd receive a response to their complaint, or what the outcome of their complaint would be. In the circumstances, I think it was reasonable for Mr and Mrs F to limit their potential interest costs by taking out a new product with their lender. As is usually the case with fixed interest rate products, the product had an ERC. This meant Mr and Mrs F couldn't re-mortgage with NatWest and accept its offer without paying an ERC to their lender.

Mr and Mrs F had told NatWest they wanted to re-mortgage on 1 November 2022, so it was aware of their timing. I appreciate that NatWest needed to look into what happened and consider how to put it right. But the offer in NatWest's final response letter simply arrived too late for it to put matters right for Mr and Mrs F.

What should NatWest do to put matters right?

I don't think it's fair and reasonable to require NatWest to pay compensation based on the difference between the interest rate Mr and Mrs F are paying and the rate NatWest offered in its final response. NatWest offered this on the basis that Mr and Mrs F re-mortgaged with it. They can't do that.

When considering compensation, we take into account the impact of the mistake on the customer – which could be financial, emotional or impact on their time or wellbeing. And we take the wider circumstances into account, including whether the customer could have taken steps to limit their loss.

NatWest said if there hadn't been any delays with Mr and Mrs F's application the valuation would have been carried out on or about 10 August 2022. Mr and Mrs F would then have needed to make a new application, choosing a rate from the 75% loan to value band.

NatWest changed its product rates on 3 August 2022, so the rates available on 1 August 2022 would not have been available.

I need to take into account that I can't necessarily assume that Mr and Mrs F would certainly have provided all of the necessary documents immediately. And that they could have taken steps which would have reduced the delays with the application.

NatWest said that Mr and Mrs F contacted it on 12 September 2022 to say they hadn't received emails asking for documentation. This was about six weeks after Mr and Mrs F submitted their application. NatWest said Mr and Mrs F could reasonably have contacted it sooner if they were concerned about the application proceeding. I think that's a fair point.

Mrs F said in response to my provisional decision that they weren't at that point worried about interest rises. So, as I said, I can't assume they'd have provided all necessary documents immediately if they'd received the email from NatWest.

Mrs F says they, as borrowers, can't be expected to be fully acquainted with the intricacies of the mortgage process and NatWest didn't give a deadline for when they'd receive its email. But they were expecting an email to register for an online process and they'd have known whether it had arrived. I think Mr and Mrs F could reasonably have contacted NatWest sooner than about six weeks. Had they done so, the application would have moved on sooner.

Mr and Mrs F made an online application without advice. They chose a product from the 60% loan to value range based on their own estimate of the property value. While they were disappointed with the valuation (which meant they had to re-apply with a product from the 75% loan to value range) this wasn't due to an error by NatWest. If Mr and Mrs F had chosen a product from the 75% range at the outset, they'd have been able to keep the product. I note that the property value in the product offer from their existing lender puts them in the 75% loan to value range.

I've also taken into account that it would be reasonable for Mr and Mrs F to wait a week or so before becoming concerned about not receiving an email from NatWest. And that NatWest took responsibility for the delays with Mr and Mrs F's application in its final

response letter.

Taking all this into account, I don't think NatWest was solely responsible for Mr and Mrs F missing out on rates available in August and early September 2022. So I don't think it's fair to require NatWest to pay compensation based on Mr and Mrs F missing out on rates available at that time. But it did make an error which resulted in delays and I think it should pay compensation on the basis that, due to this, Mr and Mrs F missed out on rates available in late September 2022.

NatWest provided evidence of available rates in late September 2022. The product equivalent to the one chosen by Mr and Mrs F but in the 75% loan to value range had an interest rate of 3.80%.

While I think this would be a fair starting point to calculate compensation, I think any compensation should be discounted, for the following reasons.

- Mr and Mrs F will have the use of the compensation payment in advance of making most of the interest payments. They could use the payment to reduce their balance (if this is within their overpayment allowance). This would reduce the amount of interest they pay overall. I don't, as Mrs F suggests, think it would be better to require NatWest to pay a larger amount in instalments. I think this would be unnecessarily complicated and risk further dispute.
- If Mr and Mrs F were worried about interest rates rising and wanted to secure a product rate, they could have contacted NatWest in early August 2022 when they didn't receive the expected emails. In response to my provisional decision, Mrs F said they weren't worried about rate rises at that time.
- NatWest told Mr and Mrs F on 30 September 2022 about the lower valuation and that they'd need to re-apply with a product from the 75% loan to value range. Mrs F said NatWest didn't offer them a new product. She said because they'd applied online and on a non-advised basis they were told to look online and call back with the rate they chose. I don't think that was incorrect, given they'd made an online application. Mr and Mrs F did have had an opportunity (albeit brief) to reapply with the five-year rate available at that time (3.80%).
- Mr and Mrs F took out a new product with their lender in October 2022. This didn't give NatWest much time to look into what happened and offer to put things right. This isn't a criticism of Mr and Mrs F – simply an acknowledgement that NatWest didn't have much time to offer a fair resolution before they committed to a new product with their lender. I've also taken into account that NatWest was aware of Mr and Mrs F's timing, and that they were likely to be concerned about further rate increases.

Mrs F said it's unfair for a consumer to bear partial responsibility for an error by a bank and face financial loss for events outside their control. There were several factors here that resulted in Mr and Mrs F missing out on the lower interest rates available in August and September 2022, and not all of them were errors by NatWest.

There was an error by NatWest when it didn't send the email to Mr and Mrs F to register for the online document process. But NatWest wasn't responsible for Mr and Mrs F's estimate of the property value being different from the valuation, which resulted in them having to choose a new product or for the wider events that led to increases in interest rates. Mr and Mrs F could have contacted NatWest in August 2022, when they didn't receive an email, and they could have chosen a new product in late September 2022 before rates increased.

Overall, having considered Mr and Mrs F's comments, I think the compensation I suggested in my provisional decision is fair and reasonable in the circumstances.

NatWest should calculate compensation as follows.

1. NatWest should calculate the interest Mr and Mrs F will pay from 1 November 2022 until 30 November 2027 at the interest rate of the product they've taken out (3.99%).
2. NatWest should calculate the interest Mr and Mrs F would have paid from 1 November 2022 until 30 November 2027 if they'd re-mortgaged on 1 November 2022 at the 3.80% product rate.

When doing the calculations in 1 and 2 NatWest should use the loan amount (including the £995 product fee) set out in the product offer from their existing lender, assume the same mortgage term and that Mr and Mrs F make their contractual monthly payments in full and on time, and that the balance reduces over time accordingly.

3. NatWest should deduct the result of 2 from the result of 1. It should then discount the result by 50%, for the reasons set out above.

NatWest provided calculations in response to my provisional decision which we've shared with Mr and Mrs F. NatWest initially based the calculations on the loan Mr and Mrs F applied for. But I think it should use the balance in the product offer from Mr and Mrs F's existing lender, which better reflects their actual interest costs.

NatWest paid £100 for the upset caused by the delays. While I think this matter did cause Mr and Mrs F trouble and upset, not all of this was due to errors by NatWest. For instance, they were upset that the valuation was lower than they'd expected. If Mr and Mrs F were worried that they hadn't heard from NatWest after they submitted their application in early August 2022, I'd have expected them to contact NatWest sooner. Taking all this into account, I think £100 is fair and reasonable in the circumstances.

My final decision

My decision is that I uphold this complaint and order National Westminster Bank Plc to pay compensation to Mr and Mrs F calculated as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 23 November 2023.

Ruth Stevenson
Ombudsman