

The complaint

Mr L complains that National Westminster Bank Plc (NatWest) gave him incorrect information about the mortgage support it could offer him which has resulted in his mortgage falling into arrears.

What happened

Mr L contacted NatWest on 17 January 2024 to explain that he was in between jobs and wouldn't be able to afford the monthly mortgage payment that was due on 31 January. He wanted to know what support NatWest could offer. NatWest discussed the option of temporarily switching the mortgage to interest only for six months which would reduce his monthly payments. Mr L said he was happy to go with that option as long as it could be put in place in time for the payment due date, otherwise he would discuss alternatives with NatWest. Mr L said he would cancel his direct debit and make a manual payment for the new interest only payment amount.

NatWest emailed Mr L later that day to confirm that his request had been received, and that his estimated new monthly payment would be £276.47, but that would be confirmed in writing. It said the interest only period would last for six months and would automatically end on 17 July 2024.

NatWest also sent a letter to Mr L on 18 January which confirmed the change had been applied to his mortgage effective from 18 January 2024, and his new monthly payment was £276.48. The letter said that to comply with the Direct Debit guarantee, NatWest requires 14 days to make a change to Mr L's payments. So if the monthly payment date falls within 14 days of the effective date of this change it won't collect the new payment amount until the following payment date. It said the first updated monthly payment reflecting this change will be collected on 29 February 2024.

Mr L said when he logged on to his banking application to make his payment on 31 January, it said the monthly payment due was £276.48. So he made that payment.

NatWest contacted Mr L in February 2024 and told him there were arrears on the account as January's full monthly payment hadn't been made. Mr L complained. He said he'd been told the switch would be in place in time for his next monthly payment, and NatWest had confirmed the new payment amount, so that is what he paid. He didn't think it was fair of NatWest to record arrears on his mortgage account or ask him to make up the payment. NatWest said it had only been able to listen to part of the conversation Mr L had with it on 17 January, and so it couldn't confirm what information Mr L was given. But it accepted that he may have been misadvised and told the switch to interest only would be in place before his January payment was due. It paid Mr L £50 to apologise. But it said it had given Mr L the correct information in the letter it had sent him after the phone call, and the arrears had been reported to Mr L's credit file correctly.

My provisional decision

I issued a provisional decision to both parties which said the following.

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I’ve listened to the recording of part of Mr L’s conversation with NatWest on 17 January. During that call I think Mr L made it clear his immediate concern was not being able to afford the monthly payment that was due to come out later that month. He wanted to know how NatWest could help him. I think it was appropriate for NatWest to suggest the temporary switch to interest only payments if it could have been implemented in time for the January payment date, as that reduced Mr L’s monthly payment to an affordable amount for him and wouldn’t have impacted his credit file.

I haven’t been able to listen to the part of the conversation where NatWest informed Mr L how quickly the switch could be put in place, but based on the balance of probabilities, I think it’s likely NatWest assured him that the switch could be implemented before his next payment was due. I say that because firstly, that is Mr L’s recollection of the call. And secondly, in the part of the conversation I have heard, Mr L said that if the switch couldn’t be applied in time for January’s payment, then he would want to discuss alternative options. No further options were discussed, and the switch was applied for that same day. I think if NatWest had told Mr L that the switch wasn’t going to be put in place in time, he would have asked about other forbearance options. And NatWest should have discussed those with him in order to ensure it was providing appropriate support. So, considering everything, I think Mr L left the conversation with NatWest on 17 January thinking that he would only need to make the interest only payment on 31 January.

The email NatWest sent Mr L that same day didn’t confirm when the switch to interest only would start, only that it would end on 17 July. It said the switch was for six months. And so I think it was reasonable for Mr L to assume from that email that the switch had taken effect immediately.

NatWest then sent a letter to Mr L on 18 January. That letter said the switch to interest only was effective from 18 January, and Mr L’s new monthly payment was £276.48. Later down the letter, it also said:

“To comply with the Direct Debit guarantee, we require 14 days to make a change to your payments. So if your monthly payment date falls within 14 days of the effective date of this change we won’t collect the new payment amount until the following payment date.

The first updated monthly repayment reflecting this Cost of Living Support will be collected on 29/02/2024. Any payments due prior to this date will be based on your existing monthly payment. You will make 6 monthly payments in total as part of this Cost of Living Support.”

NatWest says that this letter ought to have made it clear to Mr L that his monthly payment wouldn’t change to the lower amount until February. Whilst I agree it does say that the first updated monthly payment would be collected on 29 February 2024, I’m not persuaded this letter was clear enough for Mr L to understand that he would still need to make his full monthly payment in January.

I say that because Mr L had left the conversation with NatWest with the impression his monthly payment would be lower for January. This letter says that the switch was effective from 18 January, and set out the new monthly payment amount. The part of

the letter which tells Mr L that his payment won't actually change until February is in the section about direct debit payments. Mr L had told NatWest he'd cancelled his direct debit and would make manual payments moving forwards. I think it's reasonable that Mr L assumed that part of the letter didn't apply to him, as it directly contradicted what he'd been told on the phone, which was a personalised interaction, and he didn't pay by direct debit – and so he was able to change the payment amount in time for his next payment. The letter also told Mr L the switch was already effective from that date.

In line with the regulator's principles, lenders need to give borrowers information that is clear, fair, and not misleading. Under the Consumer Duty, they also need to give customers the information they need, at the right time, and presented in a way they can understand. That way they can make informed decisions. Considering the communication NatWest has had with Mr L in the round, and the relevant regulation, I'm not persuaded NatWest did enough to ensure Mr L had the correct understanding of the facts so that he could make an informed decision.

Based on my current understanding, it seems NatWest would never have been able to apply the temporary switch to interest only before Mr L's next payment was due. So I've thought about what I think is most likely to have happened had Mr L been given that information in the initial phone call.

Based on what Mr L told NatWest at the time, and the fact he needed immediate short-term forbearance rather than anything longer term, I think he would have discussed the amount he could afford to pay that month based on his circumstances at the time, and NatWest ought to have agreed a payment arrangement as reasonable forbearance. That would still have resulted in the mortgage falling into arrears, but an arrangement would have been marked on Mr L's credit file. If NatWest wasn't able to switch the mortgage to interest only in time for the next payment date, then if Mr L wasn't able to afford the payment, there was no way of preventing the mortgage falling into arrears. So I don't think it would be reasonable to ask NatWest to remove the arrears from Mr L's credit file completely.

Based on the circumstances, I'm currently persuaded NatWest should update Mr L's credit file to reflect that an arrangement was in place for January 2024. Mr L should then be given options as to how he repays the arrears, either in one lump sum, a payment arrangement, or capitalisation depending on what is affordable for him.

I'm also persuaded NatWest has caused Mr L unnecessary distress and inconvenience. I'm satisfied Mr L believed he was paying NatWest the correct amount when he made his payment in January 2024. And so I think it would have been distressing for him to learn in February that his mortgage had fallen into arrears. Particularly when he'd specifically contacted NatWest to ask for support to prevent that from happening. As a result, I'm satisfied NatWest should pay Mr L £300 in addition to the £50 it's already paid him."

Both parties responded to say they had no further comments to make.

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.

As neither party has provided any further comments or information, I see no reason to depart from the decision I reached in my provisional decision.

I adopt the reasoning and findings I made in that decision in this final decision.

Putting things right

To put things right NatWest need to do the following:

- Update the way it's reported Mr L's mortgage to credit reference agencies to reflect that a payment arrangement was in place for January 2024.
- Agree a reasonable and affordable way for Mr L to repay the arrears on the mortgage account (if they haven't already been repaid).
- Pay Mr L £300 in addition to the £50 it has already paid him for the distress and inconvenience caused.

My final decision

Considering everything, for the reasons I've explained, I uphold this complaint and instruct National Westminster Bank Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 19 December 2024.

Kathryn Billings
Ombudsman