

## **The complaint**

This complaint's about a mortgage that Mr L and Mrs W applied for, with Santander UK Plc. They're unhappy that the application took so long that they lost out on the low interest rate they'd applied for. They ended up taking a mortgage with a different lender at a higher rate, and say Santander should compensate them for the loss.

## **What happened**

The broad circumstances of this complaint are known to Mr L and Mrs W and Santander. I'm also aware that the investigator issued a comprehensive response to the complaint, which has been shared with all parties, and so I don't need to repeat the details here.

Our decisions are published, and it's important that I don't include any information that might result in Mr L and Mrs W being identified. Instead I'll give a brief summary of what happened and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr L and Mrs W applied for the mortgage in October 2021, through a third party mortgage broker. They requested a five-year fixed rate mortgage; the rate was 0.99%. The application was held up when a credit search revealed adverse information recorded by another creditor. This was looked into and it turned out the other creditor had recorded the information incorrectly.

The other creditor agreed to change the information; Santander was willing to review the initial decision not to lend, provided it received written confirmation from the other creditor that the mistake had been corrected. Unfortunately, by the time this happened, the completion deadline for the five-year fixed rate (4 March 2022) had already passed.

There then followed an exchange of correspondence, in which Santander mistakenly referred to the deadline for the product as being either 28 or 30 March 2022. This led Mr L and Mrs W to believe they could have had the five-year fixed rate after all and they complained that they'd lost the opportunity to do so. Eventually, Santander told them they'd need to choose a new, higher, interest rate product.

Mr L and Mrs W obtained a mortgage with their existing lender. The rate they're paying on the mortgage is 2.34% and is only fixed for two years. Forecasting the likelihood that any follow on rate they take after two years will also be higher, Mr L and Mrs W say they could be up to £50,000 worse off over the five-year period.

Initially, our investigator was minded to uphold the complaint, thinking the 0.99% fixed rate would have been available up to 30 March 2022. But he changed his mind after Santander clarified the completion deadline as being 4 March 2022. Instead, he recommended Santander pay Mr L and Mrs W £200 compensation for the confusion caused by its incorrect references to the later dates.

Santander agreed to settle the complaint on the terms the investigator had recommended, but Mr L and Mrs W have asked for it to be reviewed by an ombudsman.

### **What I've decided – and why**

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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 and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases, If I'm to award Mr L and Mrs W the compensation they're seeking, I have to be satisfied that Santander made specific errors or omissions in the handling of the application, *and* that those errors or omissions were the sole or over-riding cause of loss, financial or non-financial, to Mr L and Mrs W.

Arranging a mortgage isn't an exact science; nor is it a mechanical process. There may be anticipated timescales for how long an application might take, but occasionally things take longer than expected. Also, queries and issues might arise that couldn't have been predicted at the outset, and which either delay the application or take it in an unexpected direction. In my view, the latter is what happened here, chiefly because of the problem with adverse credit file reporting by another creditor.

I also have to keep in mind that Mr L and Mrs W didn't make their application directly to Santander; they engaged a third party (their mortgage broker) to act as intermediary. The roles of lender and broker are separate and discrete from each other, and they have different responsibilities towards their customers (or potential customers as Mr L and Mrs W ultimately didn't become Santander customers).

Santander's responsibility was to process the application and make a lending decision as soon as it was reasonably in a position to do so. Overall, I'm persuaded it did that. When the problem with credit file reporting cropped up, it was a matter for Santander's discretion what needed to be done (and evidenced as having been done) before it would decide whether to lend. If that meant requiring written proof from the other creditor that the credit file reporting had been corrected, that was Santander's decision to make, and I don't think it would be appropriate for me to interfere with that.

By the time Santander had the evidence it needed, the 4 March 2022 deadline had already passed. It wasn't Santander's responsibility to make sure Mr L and Mrs W knew about the completion deadline of 4 March 2022; that lay with their broker. I'm not investigating the role of the broker in this transaction, and to be clear, nothing I say in this decision is intended as, or should be inferred as being, a judgement on what the broker did or didn't do.

Once 4 March 2022 had come and gone, without even a mortgage offer in place, Mr L and Mrs W were never going to be able to have a mortgage from Santander on the five-year

fixed rate of 0.99%. So I can't fairly say Santander should pay them redress for their mortgage being on a higher rate than they'd hoped for.

Santander's mistake, as evidenced in the various emails Mr L and Mrs W have shared with us, was not to make it clear immediately that the five-year fixed rate was no longer available, but instead to continue with the process right through March and into April, whilst referring variously to an expiry date of 28 or 30 March 2022, both of which were wrong.

Even in the best-ordered situation, some things can or will go wrong in such a complex transaction as a house purchase, and some degree of stress and inconvenience is to be expected. Taking into consideration everything that both parties have said and provided, and mindful of our general approach, I consider that £200 for wrongly raising Mr L and Mr W's expectations about the availability of the five-year fixed rate after it had already expired represents fair and reasonable compensation.

### **My final decision**

My final decision is that I uphold this complaint in part only. In full and final settlement, I direct Santander UK Plc to pay Mr L and Mrs W £200. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs W to accept or reject my decision before 27 June 2023.

Jeff Parrington

**Ombudsman**