

The complaint

Mr R complains about what happened when he asked Santander UK Plc to increase the mortgage borrowing on his home, to fund the purchase of a commercial property that he intended to use partly for his business, and partly as a buy to let property.

What happened

Mr R said he asked Santander if he could borrow more on his existing home mortgage with it, to pay for the purchase of a commercial property. Mr R was already the sole director of a limited company, and he planned to run his business from this property, as well as to rent out the flat above for profit. Mr R said Santander was very positive about this, saying he could borrow an extra £65,000, so he went ahead and committed himself to the purchase. But then the bank said the maximum it could lend him was an extra £27,000.

Mr R said his income from the limited company he owns is paid as salary, so he thinks he should be treated the same as any other employee. But Mr R said Santander counts him as a self-employed person. Mr R felt that the consequences of this weren't fair or reasonable.

Mr R said Santander should only be looking at the wages he received, and he said his salary had actually gone up, but Santander wasn't taking this into account. He thought Santander ought not to take account of the financial affairs of the business, which is a separate legal entity. He said the performance of the business doesn't affect the wages he earns.

Mr R said Santander was even taking account of lending his business had received under the Bounce Back Loan Scheme ("BBLS") introduced during the coronavirus pandemic, but this loan was a business liability not a personal one. Mr R thought Santander was counting the debts of the business against him personally. He said this breached lending rules.

When Mr R initially complained, he said that the purchase of the property was being jeopardised. He later managed to complete his purchase, but without any lending from Santander. He said this cost him very much more than anticipated. He'd had to take a commercial mortgage on the property, and a second mortgage on his home.

Mr R has also added further concerns to his complaint, including that Santander asked for evidence he'd secured a commercial mortgage to cover the costs of his purchase, before it would consider lending him enough to cover the deposit. He said Santander wouldn't have asked for this if he'd been buying something else, like a car or doing home repairs.

Mr R said there was an error on his accountancy certificate – literally a case of ticking the wrong box – but that wasn't discovered until two weeks before the property purchase was due to complete. If Santander had reviewed the certificate weeks earlier, when it got this, then that could have been corrected. Mr R said mortgage rates went up in this time, so the lending he eventually got cost more.

Mr R said Santander had told him he could pay the deposit for his property purchase on his credit card initially, because his lending would be agreed before this showed on his credit file. But it wasn't completed in time, and Mr R said this lending did affect his application.

Before Santander said it wouldn't lend at all, it reduced the available amount because of his credit card debt.

Mr R also said Santander had asked in mid-June for his 2022 accounts, which he couldn't supply, because his accountancy year ends at the end of June. He also said Santander asked for self-employed tax forms, which he doesn't have as he only pays himself a wage.

Mr R said that after a series of confusing requests for information he couldn't supply, and differing decisions on the maximum amount it could lend, Santander then decided it wouldn't lend to him at all.

Santander's view on whether it might be able to lend to Mr R has changed over time. It initially said to Mr R that it wouldn't lend him the full amount he wanted. After this case came to our service, Santander then decided it wouldn't lend to Mr R at all. Then Santander received some new information from Mr R, and said it could reconsider.

Santander sent Mr R two complaint response letters. The first, dated 29 May 2022, said it was sorry it had to apply a maximum lending amount that didn't meet Mr R's full lending requirements, but it didn't think that was a mistake.

It then sent a second complaint response letter, dated 24 July 2022, which said it was sorry Mr R felt his application hadn't been processed promptly, and he was unhappy with the final decision not to lend. Santander said it had received his accountants certificate in May 2022, but there was still an outstanding document required before the case could be assessed. Santander said it received that on 29 June, and all documents were then reviewed.

Santander said it was sorry to say it wasn't able to lend to Mr R, the details on his accountants certificate meant that there was no income it could use to support lending.

Santander said it understood that Mr R had needed the money by mid-July, and he wasn't able to get his company accounts (which run until the end of June 2022) completed in time for Santander to consider those for lending purposes, and then to meet this deadline for him.

Santander has shown our service that it received an accountants certificate, setting out Mr R's earnings and the position of his company, dated 4 May 2022, and covering the previous year's accounts, up until the end of June 2021. Santander had made its decision on the basis of that information. It said that it couldn't take account of any earnings or accounts covering less than a year, and it doesn't appear to have received any further information for the year ending 30 June 2022 before it took its decision not to lend, on 6 July 2022.

Santander also sent us further information on Mr R's complaint. It said that it could confirm that Mr R was declined because the position of his company meant it couldn't use any income for lending purposes. It said Mr R's lending request hadn't simply been rejected because his company had taken a BBLS loan.

Our investigator didn't think this complaint should be upheld. He said Mr R is classed as self-employed under Santander's policy, so it does look into the affordability and suitability of Mr R's income before agreeing to lend. Mr R's business was unfortunately making a loss on the last available accounts, and his most recent year's accounts weren't yet available when Santander reached its lending decision.

Our investigator said he couldn't comment directly on Santander's lending criteria, but he thought they had been applied fairly, and Mr R had been treated the same as any other applicant in the same situation. So our investigator said he wouldn't ask Santander to change its decision.

Mr R then wrote again, to say he thought we'd over-simplified things.

Mr R said that his business returned to profitability in June 2022. He'd provided these accounts to Santander, and his salary had increased. But he said Santander still based its decision on the June 2021 accounts. It wouldn't accept wage slips or bank statements.

Mr R said that we also hadn't commented on whether the BLS liability should have been taken into account. He stressed again that this was a business liability, but he was asking Santander to lend to him personally.

Finally, Mr R said we hadn't taken account of the numerous times he was asked for further information, each time slightly changing the goalposts. He said that he'd experienced a great deal of difficulty communicating with Santander, which further delayed its decision. He said he first contacted Santander in April. And waiting four months, only to be turned down because of a lack of documents (the self-employed tax return) was unacceptable.

Our investigator didn't change his mind. He said Mr R hadn't been misled about Santander's intentions to lend to him, as he couldn't see that Santander had made any agreement to lend to Mr R, or provided a decision in principle saying it would lend. No mortgage offer was ever issued. Santander wouldn't know whether it could lend Mr R the full amount it originally discussed with him until his application was complete.

Our investigator also said he didn't accept there were delays that affected the outcome of the application. And he said Santander would consider the financial performance of the relevant business for any applicant it considered to be self-employed. He said Santander is allowed to set the rules for its own lending, and our service can't say it should lend when it's Santander's policy not to.

Mr R still said he'd been misled from the outset. And he still felt his application finally failed because he couldn't produce self-assessment returns. Because no agreement was reached, this case then came to me for a final decision.

I asked Santander for some further information on this case, before I reached any decision. In response, Santander has shown us that after its decision in July 2022 not to lend to Mr R, it received a fresh set of accounts from him, on 9 August, for the year ending 2022.

Santander then indicated it might be able to lend to Mr R after all, if his business had moved back into profit. And it asked Mr R to supply an updated accountants certificate showing that.

Santander said that far from it repeatedly asking Mr R for a self-employed tax assessment which he couldn't supply, Mr R had himself offered his SA302 form early in the process, to show that he was only receiving a salary, not dividends. It showed us the email dated 4 May where Mr R sent this form to it.

Santander also shared two calls with our service.

The first call took place on 3 May 2022. Mr R rang then to ask about making changes to his application. He said he wanted to draw down less additional lending on his personal mortgage with Santander, and get a commercial mortgage on the property. Mr R indicated he didn't want to take on such a high level of personal debt. So he reduced his request from £64,000 to £35,000. Santander said it could assess this fully once Mr R's accountant's certificate had been submitted. So it appears that Mr R had taken the decision to take out a commercial mortgage before Santander had received his accountant's certificate.

The second call was on 9 August 2022, Mr R rang in response to a missed call from Santander. This was the same day he'd sent through his updated accounts. Santander was clear that an updated accountant's certificate would need to be sent, and would need to show a profit. Mr R said the accounts he'd already shared showed a profit, but he wanted to know what Santander might lend him, based on the figures he'd supplied.

I can hear that Santander's agent then attempted to assist, and said if Mr R was in profit and Mr R was taking a salary, then it would base its lending decision on the salary. Mr R referred Santander to information on the accounts on his salary, and asked how much Santander could lend based on that. Santander said unfortunately it wouldn't be able to do a quick reassessment for Mr R because it had first got information from him several months ago. Mr R said he understood this, but he'd wasted a lot of time on his first application, so he wanted to know. Santander said it would run this assessment for him, if he waited.

After a period on hold, Mr R said he was now asking for an additional £25,000 on his mortgage. Santander said it would consider this amount of lending, as long as it had an accountants certificate showing the business was back in profit. Mr R asked about the balances showing on his credit card which had been used to reach this conclusion, and Santander said it had used the old information he supplied, based on his old lending.

Mr R has told us he had used his credit card to make a sizeable payment towards the purchase of the property, so this amount appears to date from before that transaction showed on his credit card. Mr R didn't advise Santander of his revised credit card borrowing levels on this call. And he ended the call indicating that he would supply the requested updated accountants certificate.

Santander showed us it asked Mr R for this information on 9 August, then tried again to contact him on 24 August. On 29 August, it said it was putting his application on hold, as he hadn't been in touch, but he was welcome to contact it if he was still interested in applying.

I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold a small part of it. This is what I said then:

I should start by setting out briefly the overall picture as I understand it. The position has evolved as this case has been with our service.

Mr R wanted to extend the mortgage on his home, to fund the purchase costs of a separate property – a commercial property with a residential flat above. He was planning to rent the commercial premises to his own limited company (with a saving on rental costs for that company) and to rent out the flat above for profit. Mr R told us he was committed to this purchase after his initial informal discussions with Santander.

Mr R reduced his borrowing requirements only a few days after he first approached Santander. So I think it was his decision to then ask a different lender for a commercial mortgage. Mr R set up a new limited company to hold this property, and the commercial mortgage lending he has shown us is to that company.

Mr R continued with his personal mortgage application with Santander, but at this point he was hoping to extend his home mortgage to cover the part of the purchase costs for the new property, including an auction charge that he told us he'd already paid using a

credit card. In early July, Santander said it wouldn't lend to Mr R at all, because the most recent accounts available to Santander said his business wasn't running at a profit.

In early August, Mr R sent Santander his new annual accounts, which he said showed his business had returned to profit. Santander said it would need this information in the form of an accountant's certificate. Mr R said he would get this, but he doesn't appear to have done so. Instead, he then took out lending elsewhere, in the form of a second charge mortgage on his home, to pay for the purchase, including the debt which was presumably now on his credit card.

I'll now look at the complaint points Mr R has raised.

Mr R made financial commitments based on Santander's offer to lend

Mr R said that initially, Santander was very positive about whether it could lend to him, and that was why he made a commitment to purchase the property. Like our investigator, I can't see Santander had agreed at this stage to lend to Mr R, or even issued Mr R with a decision in principle. I think the initial indications about lending that Santander gave were always subject to a full application by Mr R, and I think it's likely they were expressed as such, rather than a clear commitment to offer the lending Mr R wanted. I haven't seen anything to make me think it's Santander's fault that Mr R made financial commitments at this stage.

I would also note that Mr R appears to have been asked by Santander in late April, when he made his application, whether his business had been affected by the coronavirus pandemic. I appreciate there may have been some confusion about this, as Mr R has told us his direct salary income was not affected, but Santander appears to have understood that Mr R's business hadn't been affected at all. I think it's reasonable to assume it had been affected, as Mr R took a BBLS loan, and it's a condition of those loans that a business must have been adversely affected by the pandemic.

Whether a business needed additional Government support to get through this extremely difficult period can be an important factor in assessing lending, and I think that if Mr R had explained the position of his business at this point, Santander was likely to have indicated that it could have difficulties lending to him.

Santander treated Mr R as self-employed, although he wasn't

Mr R said he wasn't self-employed, he earned a salary, but Santander applied rules for lending to the self-employed to him. Mr R said it was very wrong for Santander to take account of what was happening with his business, when his income was clearly set out on his wage slips, and the position of his business had no impact on this.

I don't think Santander has made a mistake about Mr R's legal position, in applying a policy to him that it also applies to self-employed persons. Rather, I think Santander applies the same overall policy to people who are, in various different ways, their own boss. So, regardless of the underlying legal structure, if someone's income is derived entirely from a business they run, then Santander says it will look at the overall health of that business, to see if the income the borrower will rely on to repay any borrowing is sustainable.

I know Mr R says his income is a salary, which isn't affected by the financial position of his company, but I would respectfully disagree with that. Mr R is the sole director of the company he draws a salary from. His ongoing employment depends on the financial viability of that company, and upon business decisions which Mr R himself makes. So,

although I understand that the legal entity which pays Mr R's wages (the company) isn't the same as the legal entity which Santander would be lending to (Mr R himself), the health of that company is directly relevant to whether Mr R will continue to receive his salary. In short, the position of his company is relevant to his ability to repay the lending. So I think that the policy Santander has applied here, considering the financial viability of that company, is a fair and reasonable one for Santander to have applied in this situation.

How Santander assessed Mr R's income, and reached its lending decision

Mr R made a number of specific allegations about how Santander had dealt with his income. Mr R said the loan he took under the BBLS was treated as a personal liability, and that's illegal. I would also disagree with this. I don't think that Santander did actually take this loan into account – it reached its decision on the basis that Mr R's business wasn't then in profit. But I also think that it wouldn't have been unfair for Santander to take this loan into account as part of considering the financial viability of his company.

Mr R also said Santander disregarded his salary. I don't think that's right. I think its decision not to lend, made on 6 July 2022, was based on the financial position of his company. I've explained why I think that was a relevant consideration. The payment of a salary to Mr R by this company wouldn't override that.

Mr R said that Santander held a large credit card debt against him. But again, I can't see that Santander's decision of July 2022 was made with any reference to his credit card debt.

During its conversation with Mr R on 9 August, it appears that Santander didn't yet know about Mr R's greatly increased credit card borrowing. Mr R didn't tell Santander about this on this call, and he didn't then respond to any of its requests for further information. So I cannot see that this credit card debt was ever a factor in Santander's decisions.

Mr R also said he couldn't understand why Santander would turn him down, as there was plenty of equity in his home to support this lending, meaning Santander's money wasn't at risk. But that's not how Santander assesses lending. It's required to satisfy itself that the borrower can pay back what's owed from their income. It can't base its lending decisions on being able to repossess someone's home to repay the debt.

Mr R then said after Santander decided to reduce the amount it would lend him, it wanted to know how he would fund the rest of the property purchase he was committed to. Mr R didn't think that was fair, because if he'd been borrowing to buy a car or to do home improvements, Santander wouldn't have asked for the same information. But I think Santander was aware that Mr R might be taking on another, potentially quite large, debt. I do think that's relevant to whether Mr R could then afford to repay any additional borrowing from Santander. So I don't think it was unfair or unreasonable for Santander to ask for more details about Mr R's other new mortgage.

Santander repeatedly asked Mr R for documents he couldn't supply

Mr R said Santander repeatedly asked him for documentation he couldn't supply. He said it wanted a self-assessment tax form, which he couldn't send because he wasn't self-employed. And he said it was Santander's insistence on this that led to him seeking lending elsewhere in August 2022.

Santander has shown our service an email dated 4 May where Mr R attached his SA302

form. And it has sent us the call where Santander makes clear that what it needed in August 2022 to reassess Mr R's application wasn't a new SA302, or other returns associated with self-employment, but a fresh accountant's certificate, validating the information Mr R had supplied on his 2022 accounts. So I haven't been able to see that Santander did ask Mr R for documentation he just didn't have.

Delay in assessing Mr R's accountants certificate

Although I don't think that Santander made a mistake when it initially suggested it might be able to lend to Mr R, or with its eventual decision not to lend, I do think there is an area where Santander clearly did make a mistake. Santander received an accountant's certificate for the year ending June 2021 from Mr R on 4 May 2022.

Santander then relied on the contents of this certificate when it decided not to lend on 6 July. So the decision Santander eventually reached not to lend, was based on information it had held for two months.

Mr R said what Santander eventually discovered on the application was actually a mistake, he said it was literally just a case of having ticked the wrong box. Mr R hasn't told us what that mistake was, but I can see that his accountant indicated on this certificate that his business was not solvent. I understand Mr R might consider this was a mistake, although I cannot see that he'd addressed this with Santander and provided a revised form. But I also don't think this is why Santander took its decision. I think it was concerned that, after the extremely difficult trading conditions for businesses caused by the pandemic, Mr R's business accounts showed a loss for the last year. So it couldn't see that his income, in terms of the salary he was paid by this business, would be sustainable for the lifetime of the lending it was making to him. I don't think that was a mistake by Santander.

But I still think Santander did make a mistake here, because it had all the information it needed to make a lending decision for Mr R at the start of May, and it didn't make that decision until the start of July.

Santander said its process is to review all the documentation for an application at once, so it didn't review the accountants certificate until it also received information on the commercial mortgage Mr R intended to use for the bulk of the property purchase costs. But I don't think that's right. Santander did check this document in early May, we know this because it referred to this document then, when it initially said that it thought it could only lend Mr R rather less than he wanted. So it had checked this document in early May, and didn't realise that information on this certificate meant it wouldn't lend.

I think Santander could have told Mr R at this stage that it wouldn't lend to him at all, under the policy it has for those who run their own business. That means I need to consider the effect of this delay on Mr R.

Mr R would like me to ask Santander to pay the difference between the interest rate it would have charged him on an extension to his first charge mortgage, and the interest he's now paying on his second charge lending. He says that interest rates went up while Santander delayed.

I know that Mr R had already decided, by early May, to take out a commercial mortgage rather than accept personal liability for all the borrowing he wanted. So that decision wasn't impacted by any delays on Santander's part.

But Mr R still thought then that Santander might lend him enough to cover the other costs of this purchase, including the deposit he had to pay, when he should already have been told it wouldn't.

In considering how this delay impacted Mr R, I have to take into account that Mr R's business had shown a loss in the previous trading year. I don't think Mr R was likely to have been successful in an application for personal mortgage lending elsewhere, while his business was running at a loss. So he couldn't have made a successful application until his new accounts were ready, in any event.

It appears that Mr R's new annual accounts, to the end of June 2022, weren't available until August 2022. Mr R told us, and Santander, that these indicated a return to profit.

Santander then said it would consider lending to him, as long as the information on those accounts was ratified by his accountant. But Mr R doesn't appear to have sent Santander this information. Instead, he chose to pursue other lending elsewhere, and he took out a second charge mortgage, which is always likely to incur higher rates of interest than an extension to the borrowing on his first charge mortgage.

Because it isn't likely that Mr R could have borrowed more on his mortgage before his new accounts were available, and because Mr R then chose to seek lending elsewhere, rather than renew his application with Santander, I don't think I can fairly ask Santander to cover any additional costs of borrowing Mr R has incurred in this case.

But I do think Santander caused a delay in responding to Mr R, and put him to some trouble in getting further information which wasn't then likely to change the outcome of his lending application. For that reason, I think Santander should pay Mr R £200 in compensation. I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Santander replied to agree with my provisional decision.

Mr R sent a very detailed reply, which both disagreed with my provisional decision, and raised new concerns. I have grouped the comments he has made into headings.

Advice given before Mr R committed to his purchase – was Mr R self-employed?

Mr R said Santander should have told him at the start that he would be treated as self-employed, and if he'd known this, he might not have made the same choices. But I also think it is somewhat unclear how Mr R may have described his income and status to Santander when he first asked about extending his mortgage. Mr R has told us that when he first spoke to Santander, *"I confirmed that I was the director of a limited company, I paid myself through PAYE and earned an annual salary.."* But Mr R also said that *"at no point during these initial discussions was my employment status discussed, apart from clarification about the amount I earned, and where my income derived from."*

I said in my provisional decision that I did think there may have been some initial misunderstanding about Mr R's status, but I hadn't been able to see that misunderstanding was Santander's fault. I've reviewed what Mr R has said about this carefully, and I still think that it's most likely that any initial confusion about how Mr R's application would be assessed isn't something it would be fair and reasonable for me to hold Santander responsible for.

Mr R also pointed me to Santander's website information about mortgage applications made by the self-employed. He felt this was misleading and unhelpful.

I've reviewed Mr R's complaint in detail, and I haven't been able to find that Mr R has suggested previously that he was misled by Santander's website into applying for a mortgage with it. It seems likely that Mr R applied to Santander simply because his existing mortgage was with Santander, and he wanted to extend that borrowing.

The suggestion Mr R was misled by this website into choosing to apply to Santander appears to me to be a new issue in this complaint. I can't consider new issues here, which the bank hasn't yet had a chance to respond to. So I make no further comment on this point.

Evidence Santander should have considered

Mr R said Santander hadn't followed its own guidelines on evidence it would require. He said the website set out that it would ask for either a self-assessment form, or an accountant's certificate. He said these guidelines said where income is solely derived from one company, SA302 forms can also be used to support proof of income. So he thought that's what Santander should have based its decisions on.

I've explained why, as Mr R is the sole director of the company that pays his salary, I consider the financial performance of that company was directly relevant to Santander's decision whether or not to lend. I still think that.

I've also read the website information that Mr R wanted me to look at, and I don't think that gives Mr R the choice of which evidence Santander should rely on in assessing his lending application. But I note Mr R did in fact send both his SA302 form and his accountant's certificate to Santander in early May.

Mr R has also said Santander should have taken account of the income his new property could generate, and he said it never asked about this. I don't think Santander had ever given any commitment to take account of potential future income from this property, and, broadly speaking, it's for Santander to decide what income evidence it will consider in this mortgage application. I don't think what Santander has and has not considered in Mr R's case is unfair.

The reasons for Santander's decision.

Mr R has made a number of different allegations about the reasons behind Santander's decisions – including that it used outdated salary figures for him; that it did take into account his credit card lending, and the position of BBLS loan made to his company; that it cancelled his application because the 2022 accountants certificate wasn't available; and that it finally refused to lend because interest rates had changed.

I said in my provisional decision that I thought Santander had decided in early July 2022 not to lend to Mr R, solely because his business hadn't been running at a profit, according to the latest available accounts. I based that decision on a review of Santander's internal notes. I still think that.

I also note that Santander did then say it would reconsider if Mr R supplied a 2022 accountant's certificate, evidencing the return to profit that Mr R said had happened by end June 2022. Santander discussed this with Mr R in early August, when he said his new accounts had been done. It asked again a number of times for this certificate, and only closed his application when he failed to respond to these requests.

The timing of Mr R's decision to reduce his borrowing amount

Mr R stressed that he wanted to borrow the full amount for this purchase from Santander, by extending his mortgage. And he said it was only once Santander told him it couldn't lend him as much as he initially requested, that he reduced his borrowing request and decided to take a commercial mortgage.

I said in my provisional decision that I'd listened to the call of 3 May, where Mr R said he wanted to discuss changes to his application. Mr R says on this call that Santander had previously suggested it might need to extend the term of his mortgage, to lend him the full amount he wanted. Mr R thought about this, and decided he wanted to borrow less on his personal mortgage, and would get a commercial mortgage to cover the rest.

There's no suggestion on this call that Santander had already told him it couldn't lend him as much as it had thought. And it is clear Santander didn't have the information it would need to make any final lending decision, at the time of this call. His accountant's certificate wasn't received by Santander until the next day. It's only after this that Santander's notes suggest it would have to reduce the amount it could lend.

So I still think that it's most likely that the decision to reduce his personal borrowing and take out a commercial mortgage was taken by Mr R himself, not in response to Santander saying it would lend less than he'd requested.

Whether Santander asked for documents Mr R couldn't provide

Mr R said again that Santander asked for documents he couldn't provide. Mr R said he was asked for several copies of the accountant's certificate, each one asking for different information.

I haven't been able to see evidence of repeated requests for an accountant's certificate in different forms or formats. Santander's notes show only one request for Mr R's 2021 accountant's certificate, which was received in early May. After that, there is no further request for an accountant's certificate until after Mr R had offered fresh accounts up to June 2022. I also note that Santander has a standard form accountant's certification, which does appear to be what Mr R sent. For all these reasons, I don't think it's likely that Mr R was repeatedly asked for an accountant's certificate, in different forms.

Mr R also said he was asked for copies of a self-assessment tax return which did not exist (although other documentation was provided). But Santander said Mr R sent it an SA302, which is a self-assessment tax form, in early May.

I've seen the email Mr R sent on 4 May 2022, when Mr R attached his accountant's certificate. Mr R also said in that email that he was including an SA302 form, although this had not been requested, because he thought this might help with Santander's assessment. On 6 May he sent an SA301, and his last three months of wage slips.

After this, Santander only appears to have been waiting for details of his commercial mortgage.

Mr R said his commercial mortgage was in place on 13 May, but he didn't send through full documentation to show this until 29 June – Mr R said then that there had been delays in surveying the property.

So I haven't been able to see that Santander repeatedly asked him for information, including self-assessment forms, that Mr R couldn't provide.

Finally, Mr R said he was asked for end of year accounts before his company's annual trading year was up. I do think it is likely that Mr R was told that his application would be considered based on the last full year of trading that his accountant's certificate covered. Mr R's 2021 accounts showed a loss, but he said the company returned to profit in 2022. Because of that, I also think it's likely that Santander would have encouraged Mr R to submit a new set of accounts once those were ready. But I've seen nothing to suggest to me that Santander hadn't understood these wouldn't be ready until after end June 2022.

Whether Santander caused delays in deciding Mr R's application

Mr R repeated that Santander had caused delays in assessing his application. He ascribed this to various causes, including a request for information he couldn't supply, and a request for information about his commercial mortgage.

I accepted in my provisional decision that Santander had enough information on 4 May to reach a decision on lending to Mr R. It should have been able to tell him in early May 2022, that it wouldn't lend to him on the basis of the accounts available to it, because his business was then running at a loss. But it didn't tell him this until early July.

The impact of Santander's delay on Mr R

I said in my provisional decision that it didn't seem likely Mr R could have obtained lending elsewhere while his latest available accountant's certificate showed his company was running at a loss. So I said it was likely that Mr R would always have had to wait until a new year of accounts was available, to get the borrowing he wanted, whether from Santander or elsewhere. And we know interest rates went up in this time.

Mr R has challenged this. He says it's not fair for me to draw a conclusion about whether he could have got the lending elsewhere, and he said the issue isn't about that anyway, it's about what Santander did. He wanted Santander to pay a £6,300 auction house fee, as well as extra legal fees and higher borrowing costs he had incurred. He wanted it to pay for lost rental income, while he wasn't able to complete the purchase. He said he wanted me to hold Santander to account.

It may help if I set out here how I've approached this case. I've found Santander did cause delays in this case, it gave Mr R a decision in July that it could have given him in May.

But then I have to think about what would have happened, if things hadn't gone wrong. And what I think went wrong here wasn't the decision Santander reached, not to lend to Mr R. The mistake was in how long Santander took to decide that.

What should have happened here, was Mr R should have known in early May, that Santander wouldn't lend to him, because of information on the accountant's certificate he had, covering his 2021 accounts. But it might have been able to lend once he had an accountant's certificate based on his 2022 accounts.

Any mortgage lender Mr R asked about borrowing, would also need to be sure Mr R could repay all the lending made, over the longer term. I note that Mr R himself accepts both that

his business wasn't in profit in 2021, and that a business which isn't in profit cannot continue to pay a salary to its employees in the longer term. So I do still think it's unlikely that Mr R would have secured any personal lending elsewhere, before his 2022 accounts were ready.

I understand that Mr R's new 2022 accounts were ready in early August.

I have explained that, if Mr R had been told by Santander that it couldn't lend to him, in May, I still think it's likely he would have had to wait until his new accounts were ready, in early August, to get lending elsewhere. That's why I think it's likely Mr R would still have had to wait until early August to secure the lending he wanted, even if Santander hadn't made the mistake I've identified. So I don't think it would be fair and reasonable in this case for the compensation amount to cover the issues Mr R has highlighted above.

For the above reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Santander UK Plc must pay Mr R £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 6 July 2023.

Esther Absalom-Gough
Ombudsman