

The complaint

Mr A complains about the way Santander UK Plc dealt with his application for a buy to let mortgage. He asks that it refunds costs, lends the full loan amount, and pays compensation.

What happened

Mr A applied to Santander for a buy to let mortgage, via a broker, in early 2022.

Mr A says Santander didn't comply with the terms of the mortgage, as it didn't provide a £750 "buffer" or lend the amount he wanted, which was within the maximum loan to value for the product he chose. He says he wasn't told about the solicitors charges and Santander caused delays returning surplus funds.

Our investigator didn't uphold the complaint, saying Santander acted reasonably.

Mr A didn't agree, saying:

- he'd wanted to borrow £270,000, which is 75% of the property valuation. He wanted to re-mortgage to extend the lease and renovate the property. Santander only offered £257,000, which he says isn't enough to complete this work. Mr A said he was given no explanation for this, and was reluctant to ask as he'd already been asked a lot of questions he hadn't expected.
- he asked the conveyancer to request the £750 buffer, and Santander failed to provide this with the completion funds. He provided a letter from the conveyancer which supports this.

After we sent the letter from the conveyancer to Santander it offered to increase Mr A's loan with the £750 buffer.

I sent a provisional decision to the parties explaining why I considered Santander's offer to be fair and reasonable, and why I didn't intend to uphold the other parts of Mr A's complaint. This was substantially as set out below.

Santander agreed. Mr A didn't respond.

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.

Mr A's broker submitted an application to Santander on his behalf in January 2022. Mr A provided a copy of a valuation report, which values the property at £360,000. Although I can't see a date, Mr A says the valuation was carried out on 7 March 2022. The fixed interest rate product Mr A applied for was available for loans up to a maximum of 75% of the property's valuation. So Mr A could have taken out this product if he'd borrowed £270,000.

The loan amount

The mortgage application submitted by Mr A's broker in January 2022 said Mr A wanted to borrow £232,500. It said this was to repay the existing mortgage and borrow an additional £95,000.

Santander received a request in mid-March 2022 from the broker to increase the loan to £260,000. Santander issued a new mortgage offer with a loan amount of £257,000.

We asked Santander why it didn't increase the loan amount to £260,000 as the broker requested. Santander said it had by this time withdrawn the interest rate product that Mr A had applied for. As a concession it would allow Mr A to retain the product if the loan amount increased within a percentage limit. Over this limit, Mr A had to choose a new product.

Santander says after it asked the broker to choose a new product, the broker responded with a request to increase the borrowing within the limit.

I think the explanation provided by Santander is reasonable and supported by the evidence it provided. If Mr A would have preferred to apply to increase the loan to £260,000 (or £270,000) and choose a new product, Santander couldn't have known this. It acted on the information it received from the broker. The mortgage offer – which Mr A accepted – set out the loan amount. If Mr A wasn't happy with this, he could have raised this via his broker at the time.

Further questions during the application process

I can see in Santander's notes that it raised queries with Mr A's broker. Mr A said he hadn't been asked these questions before. Santander receives information from a number of sources. I think it was reasonable for Santander to check information with the broker. Ultimately, it was satisfied with the information provided and offered to lend to Mr A.

Conveyancer's fees and return of surplus funds

The mortgage offer said Santander would pay the costs of its conveyancer's standard legal fees for the mortgage. It said any additional work would be at Mr A's cost. Santander said it was for the solicitor to inform Mr A about any additional legal costs, and it passed this part of Mr A's complaint to the solicitor. It said the £24 fee Mr A had complained about had been refunded by the solicitor and provided a letter from the solicitor to Mr A supporting this.

If there was a delay in surplus funds being returned to Mr A after completion, based on the available evidence I don't think this was due to an error by Santander.

The £750 "buffer"

The mortgage offer says: "you may borrow additional money up to £750 to be able to complete your mortgage. Your conveyancer will tell you that additional money is required and request your written agreement to this."

Mr A says he asked for the £750. He provided a letter from the conveyancer saying they requested the buffer but this wasn't provided by Santander with the completion funds. The conveyancer said they failed to discuss this with Mr A at the time and offered £25 compensation.

We told Santander what the conveyancer had said and asked it to explain what happened.

Santander said it took responsibility for any error between it and the solicitor. It said it would arrange to increase the loan by £750 if Mr A wants this. It says it can do this without

additional paperwork if Mr A accepts this final decision, by sending £750 to the account he uses to pay the mortgage.

Santander asked that Mr A pays attention to the provision in the mortgage offer under *“Additional borrowing available without further approval – this will increase the amount of borrowing secured on your home.”* This provision explains the consequences of taking out the additional borrowing – including that his monthly payment and any early repayment charge will increase, as will the amount he has to pay back.

Mr A should read the provision carefully before deciding whether to accept this decision and take out the additional borrowing.

For the reasons set out above, I don’t intend to uphold the other aspects of Mr A’s complaint. And I don’t think it’s fair and reasonable to require Santander to pay compensation for the delay in Mr A receiving the £750 buffer. I don’t think Santander was responsible for Mr A applying to borrow less than he says he needs to complete work on the property. I don’t think receiving £750 sooner would have changed this.

My final decision

My decision is that I uphold this complaint. I order Santander UK Plc to increase Mr A’s loan by £750 as described above, if he accepts this decision.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A to accept or reject my decision before 14 September 2023.

Ruth Stevenson
Ombudsman