

The complaint

Mr and Mrs K complain that when they took additional borrowing and arranged a new interest rate product, Santander UK Plc gave them incorrect information about what their mortgage payments would be.

What happened

Mr and Mrs K have a mortgage with Santander. In March 2023, Santander gave them mortgage advice. It recommended they should take additional borrowing of £20,000, with both the new borrowing and the existing mortgage on a new tracker interest rate, 0.34% above the Bank of England base rate (the base rate). Santander told them that the new payment would be £1,617.18.

On 3 March 2023, Santander sent Mr and Mrs K an offer. It said the new borrowing would be on the tracker rate of 4.34% and that the fixed rate on the existing mortgage would expire on 2 April 2023 and would then revert to Santander's follow-on rate of 7.25% - the new payment would be £2,395.91.

On 3 April 2023, Santander sent Mr and Mrs K a letter, which said that the additional borrowing was now in place and that the total payment due was £1,957.96.

On 4 April 2023, Santander sent Mr and Mrs K a product transfer offer to switch their existing mortgage to the same tracker rate as the additional borrowing. But the interest rate had increased to 4.59% - making the total payment £1,973.90.

Mr and Mrs K complained that Santander mis-sold the additional borrowing and product switch. They said the payments were more than they had been quoted or agreed to. They said the information they'd been given was conflicting and they would not have taken the additional borrowing if they'd been given the correct information.

Santander said that it had made a mistake in allowing the existing mortgage to revert to its follow-on rate and backdated the mortgage as if had switched to the tracker rate once the fixed rate ended. It also paid £250 for the distress and inconvenience caused to Mr and Mrs K. It said that the mortgage adviser may have used the previous fixed rate when they calculated what the payment would be. In its submission to us it said that the payment had gone up because Mr and Mrs K had chosen a tracker rate and the base rate had gone up since the initial advice.

The investigator thought that Santander did not give Mr and Mrs K clear information about what the payment would be. But he thought that Mr and Mrs K would have gone ahead with the additional borrowing regardless of the payments on the existing mortgage. The investigator said Santander should pay Mr and Mrs K another £250 in view of the distress and inconvenience caused by its error.

Santander accepted what the investigator said. Mr and Mrs K did not. They made a number of points, including:

- When they initially spoke to Santander it was only to arrange the product transfer.
- If they'd been told the correct payment they would not have taken the additional borrowing.
- Santander had acted fraudulently and had coerced them to take the additional product. They did not consider the total offer of £500 was sufficient.

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.

The main things I need to consider here are:

- Was the advice given to Mr and Mrs K to switch their existing mortgage to a tracker rate and take additional borrowing suitable for Mr and Mrs K's needs and circumstances?
- Did Santander give Mr and Mrs K clear, fair and not misleading information about what their payments would be if they took the additional borrowing?
- If it did not do so, was it likely that Mr and Mrs K would have done anything differently had they been given the correct information.

Advice

Santander could only recommend both the additional borrowing and product switch if they were appropriate for Mr and Mrs K's needs and circumstances. That included if the changes were affordable for them.

I've looked at the information that Mr and Mrs K gave Santander, including in the phone calls they had. Based on the information Santander had about Mr and Mrs K's needs and circumstances, I consider it was reasonable for Santander to consider that both the additional borrowing and product switch were suitable and affordable.

Mr and Mrs K said they wanted a tracker rate as they thought interest rates would go up and then come down in around a year or so. They wanted a payment of less than £2,000 and confirmed that they could afford up to £2,500 if interest rates went up – and they had surplus income above that. So putting aside whether Santander gave Mr and Mrs K correct information about the amount they would have to pay, I am satisfied the mortgage was suitable and affordable for Mr and Mrs K based on the information available to Santander even taking into account the payment was higher than Santander said.

Information

In the phone call of 3 March 2023, Santander said the monthly payments with the additional borrowing and the product switch would be £1,617.18. That was incorrect. The quote appears to be based on Mr and Mrs K's existing mortgage remaining on the fixed rate of 1.25%. At best, that was misleading. Mr and Mrs K were taking additional borrowing and switching products. Santander ought to have told them what the payment would be after both changes were made.

Further, I think the first offer that was sent to Mr and Mrs K added to the confusion. It calculated payments with the existing borrowing on the follow-on rate – Mr and Mrs K were never going to be in that position. I can't see that Mr and Mrs K were presented with a

correct illustration of what their total payments would be before they agreed to the additional borrowing. And Santander has accepted that it did not transfer the existing mortgage to the new tracker rate as it should have. But it has now backdated the interest rate.

I consider that Santander gave Mr and Mrs K incorrect and misleading information about how much they would need to pay when they took the additional borrowing and switched products. In this scenario, we would not ask Santander to honour the incorrect information – Mr and Mrs K could never have had the additional borrowing and kept their payments as low as £1,617.18. Rather, I would look at what Mr and Mrs K most likely would have done had they been given the correct information.

I know Mr and Mrs K consider that they would not have gone ahead with the additional borrowing had they been given the correct information and that initially they only wanted to switch products. But I've already found that both the additional borrowing and product switch were affordable and suitable for Mr and Mrs K. And Mr and Mrs K confirmed to Santander that they could afford at least £2,500 if interest rates went up. They accepted they'd chosen a variable rate that could change.

While I accept the payment was more than Mr and Mrs K were expecting, it was still affordable and allowed them to meet their objective to carry out home improvements. I note the payment would always have gone up from the time of advice because of the increase in the base rate. And there were no early repayment charges if they repaid the additional borrowing straight away. That was an option for them if they did not want the additional borrowing.

Looking at things as a whole, I'm not persuaded that Mr and Mrs K would not have gone ahead had Santander given them the correct information.

Santander has made a serious mistake. The information it gave Mr and Mrs K fell well short of what it was required to do. Mr and Mrs K are understandably anxious and stressed that their mortgage payments are higher than they were led to believe. That is partially because the base rate has gone up since the advice was given. But it is largely because of the misleading information Santander gave them. Looking at what they've said about the impact on them I consider a total payment of £500 is fair in all the circumstances.

Mr and Mrs K have asked for the product fee to be refunded. But they would always have had to pay that even if they only switched the existing mortgage to the new interest rate. In view of that and as they've had the benefit of the product, I don't think it would be fair to tell Santander to refund it.

My final decision

My final decision is that Santander UK Plc should pay a further £250 to Mr and Mrs K in addition to the £250 it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to accept or reject my decision before 8 March 2024.

Ken Rose
Ombudsman