

The complaint

Mr and Mrs D complain that a product switch for their mortgage with Santander UK Plc (Santander) was not applied in line with what was agreed. They say this means they have ended up paying more interest than they should have done.

What happened

Mr and Mrs D's fixed rate product with Santander was due to come to an end on 2 December 2022. They say that they were concerned about the rising Bank of England base rate so contacted Santander well in advance of this to get a new deal. Mr and Mrs D contacted Santander on 27 May 2022 and 8 July 2022 but were told that it was too early to discuss this. On 4 August 2022, they were able to proceed and look at a new rate.

Mr and Mrs D say that they made it clear to Santander that they wanted to continue their current mortgage on a fixed rate deal, along with borrowing an extra £30,000 for home improvements. They say that they agreed a rate of 3.49%, which would have meant a monthly repayment of £1,639.08. Following a call on 12 August 2022, they assumed that the mortgage was sorted once the paperwork had been signed and returned.

Having returned the paperwork, Mr and Mrs D received an email from Santander on 6 September 2022 confirming it had received this and thanking them for choosing to stay with Santander. As a result of this, they believed this to be the end of the process and that the mortgage was sorted.

When Mrs D checked the Santander app in December 2022, she noticed that their new payment was much higher than they had expected it to be. They contacted Santander and were advised that it had set up a mortgage for the additional £30,000 at the agreed rate, but that the existing mortgage had been put on the standard variable rate (SVR) as they had not agreed a new rate for this by clicking 'accept' on an email they were sent.

Mr and Mrs D complained to Santander but their complaint was rejected. As the BOEBR had continued to increase, they panicked and signed up for a new rate online for the existing part of the mortgage. The rate they got was 4.89% which means that their monthly repayments are now £1,894.60.

Mr and Mrs D say that they are £255.52 worse off every month for a period of five years as a result of what happened and they would like Santander to pay them this money to compensate them.

Santander says that Mr D was informed during a call on 12 August 2022 that once he had received the funds for the additional lending, he would be sent an offer for the product switch on the original loan which he would need to review and accept within 14 days. Santander sent an email on 2 November 2022 with the product conversion offer advising that they had until 16 November 2022 to review and accept this. As the offer hadn't been accepted, Santander sent Mr D a text and email on 11 November as a reminder. Santander says that Mr and Mrs D were made aware that they would need to accept the offer for the new interest rate.

Our investigator looked into this complaint and found that Santander had done enough to clarify its process and followed this as she would have expected. Whilst she appreciated that the process could have been confusing, the investigator didn't think Santander had acted

unfairly in the circumstances. Therefore, the investigator didn't ask Santander to do anything further.

Mr and Mrs D disagree with this so the case has come to me to make a decision. They say that Santander informed them that the rate change notifications could be disregarded, which is one of the key reasons they disregarded the email of 2 November 2022.

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.

Having looked at the evidence I agree with the investigator's view for broadly the same reasons and I've explained my reasons further below.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome in keeping with the informal nature of our service.

Mr and Mrs D have said that when the rate was agreed over the phone it was clear that both would be on the same rate because they were part of the same mortgage and the same application. They say that it is unfair to treat them as two separate parts. Mr and Mrs D say that they assumed that the mortgage was sorted following the call on 12 August 2022, which is one of the reasons why they didn't accept the offer contained within the email of 2 November 2022.

I've listened to the calls which took place between Mr D and Santander on 11 and 12 August 2022. On the 12 August 2022, the advisor told Mr D that – as Mr D would be borrowing additional funds as well as securing a new interest rate on the existing mortgage – the application would be a two-stage process, albeit everything would be discussed during the same call. It was explained that Mr D would only be tying into a new product if the further advance was accepted and the existing mortgage would remain on the current rate until this had all gone through and completed. The advisor set out that the further advance would complete on the product discussed and then the main mortgage would be switched over afterwards which was normally done via email.

The advisor then went through an affordability assessment and a discussion about which product would be taken. Mr D wanted to extend the term of the existing mortgage so that the combined repayments were lower than they would have been on the existing term and a term of 26 years and 8 months was agreed. The advisor then went through the monthly repayments.

The advisor then explained the process to Mr D, explaining that the offer for the additional funds would come through the post, that Mr and Mrs D should sign and return it and then the funds would be released. The advisor then said *"Once you've got the funds this is where you need to look out for the product transfer offer coming via email, you have 14 days to review and accept it and this is to secure the interest rate on your main mortgage"*, to which Mr D responded "OK".

So I think it was made clear to Mr D during the call that he would receive – and would then have to accept – the offer for the product transfer after the funds for the further borrowing had been received, and that he would need to accept this in order to secure the new interest rate on the existing mortgage.

Mr and Mrs D have said that they believed the mortgage was sorted having sent back the paperwork and received an email from Santander on 6 September 2022 confirming it had been received.

I've considered the documents that were sent to Mr and Mrs D by Santander which include a letter dated 17 August 2022 headed "*Your additional loan and term change offer*". This enclosed a Mortgage Offer and an Additional Loan Acceptance Form which Mr and Mrs D were required to sign and return. I can see they did this on 28 August 2022, requesting that the funds be released on 1 November 2022.

The enclosed mortgage offer (also dated 17 August 2022) had a section titled "*Main features of the loan*" which set out the two parts of the mortgage; Part 1 being the additional £30,000 on product F984B which the product description stated was a fixed rate of 3.49% until 2 November 2027, and Part 2 being the existing £314,379 on product MJ72V which the product description stated was a fixed rate of 2.39% until 2 December 2022. Following this, the offer set out that "*In respect of product MJ72V after 2nd December 2022, interest will be charged at Santander's Follow-on Rate – a variable rate which will track at 3.25% above the Bank of England official bank rate (its base rate) assumed to be 1.75%, giving an assumed rate payable of 5% for the remaining term of the mortgage. The assumed Follow-on Rate used for calculations is for illustrative purposes only*".

On 6 September 2022, Santander sent Mr and Mrs D an email stating "We've received your signed Letter of Acceptance, and subject to all conditions being met, your money will be released shortly".

I've considered what Mr and Mrs D have said about believing that they had completed the process by accepting this offer. However, this offer makes no reference to the existing part of the mortgage being moved to the new rate; to the contrary, it explains that the current mortgage would go on to Santander's follow-on rate after 2 December 2022. So I think it ought to have been clear that the new rate hadn't been applied to the existing mortgage.

On 31 October 2022, Santander sent Mr and Mrs D an email which stated "*We're pleased to confirm that your additional loan has been credited to your chosen account. You'll receive your mortgage completion statement in the post within the next 7-10 days*".

Santander sent a letter to Mr and Mrs D on 1 November 2022 informing them that the additional borrowing of £30,000 had been set up on that date. It also said "*We have also made changes to your existing mortgage as detailed in your offer from the same date. The total cost of your mortgage is detailed in your offer under the section entitled 'Amount of each instalment'*". The letter also set out the revised set up of the mortgage showing Loan 1 for the additional £30,000 on an interest rate of 3.49% and Loan 2 for the existing mortgage of £311,867.24 on an interest rate of 2.39%. The term for both parts of the mortgage was 26 years and 8 months.

Mr and Mrs D say that they received this letter on 2 November 2022, which was the same day as they received the email regarding the offer for the existing mortgage. They say that the two communications conflicted each other and the letter reflected the conversations they had with Santander, so they thought everything was fine. As the additional £30,000 had been paid into the joint account and they were told they would receive the completion statement, Mr and Mrs D question why they would consider an email asking them to click to accept the new offer if the mortgage was complete and if they thought everything had been agreed. They have also provided a screenshot of Santander's mortgage tracker which shows the key stages in the progression of their mortgage. They say that this also indicates that the mortgage had completed.

I've considered what Mr and Mrs D have said about this but, again, the documents provided only showed that the new rate had been applied to the additional borrowing. So I think it ought to have been clear that the new rate had not yet been applied to the existing mortgage. I have looked at the mortgage tracker and it refers to the customer acceptance being received on 6 September and the funds being released on 31 October 2022, so these could also only have referred to the additional funds. Given that Mr D had also been specifically told on the phone that the offer to transfer the product for the existing part of the

mortgage would only be sent *after* he had received the additional funds, I don't think it was reasonable for them to have assumed that the product switch for the existing mortgage had been agreed at this stage.

I've seen the letter sent to Mr and Mrs D on 2 November 2022 titled "*Your mortgage product transfer offer*". This letter set out that the mortgage offer was available until 16 November 2022 and that, for the transfer to take place, one of the account holders must confirm their acceptance. The enclosed mortgage offer had a section titled "*Main features of the loan*" which set out the two parts of the mortgage; Part 1 being the additional £30,000 on product F984B which the product description stated was a fixed rate of 3.49% until 2 November 2027, and Part 2 being the existing £312,866 on product F984T which the product description stated was a fixed rate of 3.49% until 2 November 2027. The amount of each instalment set out in the offer was £1,647.73.

On 2 November 2022, Santander also sent Mr and Mrs D an email titled "Offer ready for review". This stated "*Thanks for your request to transfer your Santander mortgage to a new deal. You can now access your mortgage product transfer offer online*". It went on to say that the offer could be downloaded and reviewed as many times as Mr and Mrs D liked before the deadline and requested that they took their time to review the information as it would form part of their mortgage contract. It said that Mr and Mrs D had until midnight on 16 November 2022 to accept the offer and told them that they needed to access the offer via the link in the email or on the website.

Santander also sent Mr D a text message on 2 November thanking him for his request to transfer his mortgage to a new deal and inviting him to check his emails for details of how to review and accept the offer.

This correspondence from 2 November 2022 was the first occasion I've seen which showed both parts of the mortgage to be on a rate of 3.49% as agreed on the call. This is in line with what Santander advised Mr D would happen during the call on 12 August 2022, in that the offer for the product switch would only be sent after the additional funds had been released and that he would have 14 days to accept this to secure the interest rate on his main mortgage.

I can see that Santander also sent Mr D an email titled "Reminder" on 11 November 2022 reminding him that he had until midnight on 16 November 2022 to review and accept the mortgage product transfer offer before it expired. It also sent Mr D a text message on that date reminding Mr D that he had until 16 November 2022 to review and accept the product transfer offer. However, Mr and Mrs D did not accept the offer before the deadline.

Mr and Mrs D have said that the email of 2 November 2022 looked like an auto-generated email. Mr and Mrs D say that they had also received numerous other similar emails from Santander in relation to their mortgage offer running out. They say they contacted Santander about a letter received in August 2022 regarding their deal expiring soon and needing to agree a new deal but were told that this was an automatically generated letter. Therefore, they thought the email from 2 November 2022 had also been automatically generated.

I've thought about this and, whilst it may be correct that Mr and Mrs M did receive some auto-generated correspondence coming up to the expiry of their deal, they had been advised during the call on 12 August 2022 that the product switch offer for the existing mortgage would only be sent once the additional funds had been received. The email of 2 November 2022 (and subsequent chasers by email and text) related to a mortgage offer which reflected what they had agreed and was the first document which included the new rate for the existing mortgage. I therefore would have expected Mr and Mrs D to review this document and contact Santander if they were unsure.

Overall, whilst I appreciate that the process may have been confusing for Mr and Mrs D, I can't say that Santander has acted unfairly or unreasonably. It communicated the process to Mr D on the phone and this was the process that was followed.

I know my decision will come as a disappointment to Mr and Mrs D, but I can't say that anything Santander has done has caused them to lose out financially and therefore I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and don't require Santander UK Plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 29 March 2024.

Rachel Ellis
Ombudsman