

## **The complaint**

Ms P's complaint is about a mortgage and porting application she made to Santander UK Plc. She has told us that she was assured her application would be accepted for the amount she wanted, but she was then offered a lower amount.

Ms P has told us that had she been given the correct information about how much she could borrow, she would have allowed the joint mortgagor on the existing mortgage to port the interest rate product to a new mortgage with Santander, thereby avoiding any of the early repayment charge (ERC) needing to be paid. She would then have been able to take out a new mortgage with a different lender on a 'better' interest rate. Due to Santander's decision to lend her less than she wanted, she had to borrow from friends and family and didn't have the money she wanted for the home improvements she needed to undertake on her new property. Ms P has subsequently confirmed she took out a personal loan to fund these costs.

Ms P also questioned being charged two account fees. She didn't think it was right that she was charged twice.

## **What happened**

Ms P and her now ex-partner had taken out a repayment mortgage of approximately £130,000 with Santander in 2021. Attached to the mortgage was an interest rate product with an expiry date at the beginning of March 2026. If the mortgage was repaid before that date, an ERC would be payable. However, the product could be ported to a new Santander mortgage, thereby avoiding the ERC needing to be paid.

In 2023 Ms P and her partner split, which resulted in the joint home being sold and the mortgage with Santander repaid. Ms P applied for a new mortgage with Santander on a different property for the amount outstanding on the existing one. She asked to port the interest rate product from the existing mortgage to the new one. The existing mortgage had a balance of approximately £120,000 when it was repaid and so an ERC of around £6,000 was charged. The ERC would be refundable if Ms P ported the product to a new mortgage with Santander for the same amount or more within three months. If the new mortgage was for less than the old one, only a proportionate refund would be made.

Santander made a mistake when Ms P initially made enquiries about being able to borrow £120,000 – it didn't calculate her net income correctly, so it was keyed as being higher than it was. This meant that initially Santander thought it could lend her more than it eventually did.

Santander offered Ms P a mortgage of approximately £114,000 over a term of 40 years. The interest rate product from Ms P's previous joint mortgage was ported. As the new mortgage was for less than the amount of the previous mortgage, only part of the ERC was refunded to Ms P – around £5,700.

Ms P was unhappy about the amount Santander had been willing to lend her and that she didn't receive a refund of the full ERC. She complained.

Santander responded to the complaint in a letter of 7 July 2023. It acknowledged that it had keyed her application incorrectly initially and it apologised for doing so. Santander paid Ms P £100 compensation as way of apology. In relation to Ms P's concerns over how much it was willing to lend to her, it said it had to ensure the amount it agreed to was affordable. Santander declined to refund the amount of the ERC Ms P couldn't claim back as the amount it offered to lend to her was the amount that it would always have offered her if the error had not occurred.

Ms P wasn't satisfied with Santander's response and referred her complaint to this Service. When she did so she explained the property she'd bought had needed renovating and the additional money she'd asked to borrow along with the refunded ERC was going to facilitate that.

One of our Investigators considered the complaint and concluded that Ms P had her expectations raised by Santander due to its mistake. He was satisfied that had the error not occurred, Ms P would have been in the same financial position as she was. However, he recommended Santander increase the compensation payment to £250.

Ms P didn't accept the Investigator's conclusions. She said that had Santander told her it couldn't lend her the money she wanted at an earlier stage, her ex-partner would have taken a mortgage with Santander and ported the interest rate product, which would have resulted in a full refund of the ERC. She would then have taken a mortgage with a different lender for the amount she wanted. Ms P said that due to the shortfall in the amount Santander had agreed to lend her, the partial refund of the ERC, and Santander telling her to pay off her unsecured borrowing, she had needed to take out a personal loan for £15,000 with an interest rate of 10%. The Investigator considered Ms P's further comments, but he was not persuaded to change his overall conclusion. She asked that the complaint be referred to an Ombudsman.

Santander accepted the Investigator's recommendation on the basis of it being a gesture of goodwill.

### **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 has acknowledged that it made a mistake and so I will restrict my consideration of this complaint to what Santander needs to do in order to put things right. Santander has paid Ms P £100 compensation for the upset and inconvenience its error caused her and so I must determine if it needs to do anything more.

When deciding what redress should be paid to a complainant, we attempt to determine what position they would have been in had the error by the financial business not occurred. In this case, Ms P would have been told at an earlier stage she wouldn't be able to borrow as much as she wanted.

Ms P has said had this happened, her ex-partner would have applied for a mortgage with Santander and ported the interest rate product to that, which would have resulted in the ERC being refunded in full. She would then have been able to apply for a mortgage elsewhere, and believes she could have borrowed the amount she wanted at an advantageous interest rate.

It is possible that Ms P and her ex-partner might have made different mortgage arrangements if she had been told she would only be able to borrow approximately

£114,000. However, to make an award on that basis, Ms P would need to provide persuasive evidence that not only would that agreement have been possible, but also that her ex-partner would have been accepted for a mortgage with Santander for at least the amount of the previous joint mortgage. Ms P hasn't been able to provide any such evidence.

In relation to her comments about having been told to repay outstanding unsecured debts to obtain a mortgage, I would again confirm that this is not detailed in any of the contemporaneous notes from Santander. However, payments made to unsecured debts would be taken into account when the affordability of a mortgage application was considered. So it is possible Ms P was told that if she repaid those debts it might mean there was more of a chance her application would be accepted. Had those debts not been repaid, it is likely she wouldn't have been able to borrow as much from Santander as she ultimately did, or her application might have been declined completely. The fact that Ms P subsequently borrowed more funds to complete home improvements, is not something that I can hold Santander responsible for.

Overall, while I know that Ms P will not agree with me, I am not persuaded there is sufficient evidence that she would have been in a different financial position had Santander not made the mistake it did. However, it is clear that her expectations were raised because of that mistake and she should be compensated for that.

Santander has already paid Ms P £100 compensation. I have considered Ms P's comments and explanations of the impact this matter had on her and it is clear that it caused her a considerable amount of upset and meant she had to make alternative arrangements to fund the repairs to her home. As such, I consider the amount of compensation should be increased. The Investigator recommended £250 and I consider that is an appropriate amount in the circumstances.

Ms P has mentioned account fees and having been charged this twice. The account fee is an administration fee associated with setting up a mortgage. It is generally due to be paid when the mortgage starts, but sometimes, if the borrowers wish it, payment can be deferred to when the mortgage is repaid. That appears to be what Ms P and her ex-partner decided to do on the previous mortgage when they took it out. So when the existing mortgage was paid off, the fee from the time it was arranged would have been due to be paid. Ms P then paid the equivalent fee up front on her new mortgage. I can't see that Santander did anything wrong in this regard and Ms P was not charged for the same thing twice, as she has indicated she believes.

## **My final decision**

My final decision is that I uphold this complaint in part. In full and final settlement of the complaint, I order Santander UK Plc to pay Ms P an additional £150 compensation, bringing the total to £250.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms P to accept or reject my decision before 9 May 2024.

Derry Baxter  
**Ombudsman**