

The complaint

Mr R complains about the way Santander UK plc ("Santander") handled his mortgage application.

What happened

In July 2022 Mr R applied as a first-time buyer for a mortgage with Santander. He wanted to borrow £330,000.

From early July 2022 to mid-August 2022 Santander requested paperwork from Mr R to progress the application. Initially Santander told Mr R it could lend him £275,250. Mr R wanted to borrow more money than that so, he asked it to increase the term from 30 years to 40 years. In August 2022 he said his salary had increased and that he was moving back to live with a parent. Mr R was asked to provide evidence to show that.

In September 2022 Santander agreed in principle to lend £276,000. Mr R asked Santander again about increasing the term to 40 years. Santander then sent Mr R a mortgage illustration for £276,000, but the illustration wasn't for a 40-year mortgage.

In early October 2022, after reviewing new payslips, Santander increased the amount it was willing to lend to £300,900. Mr R then informed Santander that the seller was considering pulling out of the deal. At the end of October 2022 Santander said it could lend £311,000, and a new offer was issued. By that time Mr R had been offered a new job with a higher salary.

In early November 2022 the seller of the property Mr R wanted to buy with the mortgage withdrew from the sale.

Santander told Mr R that his mortgage offer could be auto extended for one month. Later it told him that he'd have to start a new mortgage application with a new (higher) interest rate, as he was applying to buy a new property.

In the end Mr R got a mortgage with another provider at a higher interest rate than the one he was negotiating with Santander. Mr R thinks Santander should pay for the increased interest rates he is paying elsewhere.

Mr R complained about the way his application was handled.

Santander accepted it made some mistakes about the way it had handled Mr R's complaint about what happened, and that it had taken some time to tell him the amount it was willing to lend. So it sent Mr R a cheque for £100. But it didn't accept it had offered Mr R the £330,000 he'd originally asked for.

Our investigator looked into what had happened. He accepted that the mortgage application took longer than he'd usually expect, but he didn't think it was fair to say that the seller pulled out of the sale because of Santander's actions. He said Santander was responsible for two weeks of delays. He said that Santander didn't communicate well, made administration

errors, and caused Mr R some distress and inconvenience as well as loss of expectation. So, it should pay Mr R £200 in total to resolve the complaint. Santander accepted that.

Mr R didn't agree with our investigator. He said that during the time Santander was considering his application and asking for more information it constantly assured him on the phone that he'd receive the full amount he wanted. But the paperwork he was sent didn't reflect that. He said that if it hadn't done that, he would have been able to apply to another provider or put a bigger deposit towards the mortgage. He said he had the means to do that.

Mr R asked for his complaint to be considered by an ombudsman. So it has been passed on to me for a final decision.

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 done so, I've reached the same conclusion as our investigator. I'll explain why.

Before I begin, I think it's worth me saying here that while I've considered all the evidence from the parties, I will only comment on what I consider to be the central issues in this complaint. This is not intended as a discourtesy but reflects my role in resolving disputes informally. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome in this complaint.

There's no dispute that Santander took some time to conclude Mr R's mortgage application. However, the facts that Santander needed to verify and consider changed after Mr R first applied for the mortgage in August 2022. He moved address, had a pay rise and changed his job during the application process, and it was only after he got a new job with a higher salary in early October 2022 that Santander considered that Mr R was able to borrow more than £300,000. That's around the same time he says his seller gave him a two-week ultimatum. Mr R is clearly frustrated about a number of issues in relation to Santander's handling of his application but overall, while I accept that there was some confusion over payslips, and a delay when Santander posted the mortgage illustration incorrectly, I think the process took as long as it did because Santander had to verify and reconsider Mr R's salary several times. Santander also had to verify that Mr R had changed his address in that period.

Mr R's blames Santander for his seller withdrawing from the sale in November 2022. He says the seller lost confidence in him. Mr R told us that was told on the phone on more than two occasions after 1 September 2022 that he'd receive the full amount (£330,000) he'd applied for. So he couldn't understand why Santander formally offered him that amount sooner and kept working with Santander to get an offer for that amount. Mr R says Santander should be held accountable for the assurances he was given. He says that if he'd known he wasn't going to get the money he'd been told he would have looked for a new lender sooner or used other money he had available to cover the shortfall in borrowing/increase his deposit.

I don't underestimate Mr R's strength of feeling about this point. I've listened to two phone calls where Mr R was told that borrowing of £330,000 had been agreed with the underwriter on the basis of the valuation. One call was in September and the other one in late October 2022. So it seems that Mr R thought that meant Santander would lend him the £330,000 he wanted. But the fact that underwriter had agreed to lend £330,000 on the basis of the valuation just meant that Santander was assured that the property in question was worth

more than £330,000. It didn't mean that Santander thought that Mr R could afford to borrow £330,000 and that it was willing to lend all of that money to Mr R given the evidence he'd provided about his income.

I think that Santander could have done more to make that clear in the relevant phone calls. Mr R was a first-time buyer that wasn't working with a broker/mortgage adviser, so I can understand why he was mistaken about that.

However, Mr R knew he hadn't received a formal offer for £330,000 by the time the seller gave him a two-week ultimatum in early October 2022. By that time, he'd been struggling to get a formal offer for that amount from Santander for some time and had only been able to do that by changing jobs (so proving a higher income) and increasing the term of the mortgage.

By early October 2022 (the time the seller gave him a two-week ultimatum) Mr R had been offered a mortgage for £300,996. At this point Mr R continued to press Santander to lend him £330,000. In Mr R's timeline of events, he says he decided to accept Santander's updated offer (received 31 October 2022) of £311,500. It's not clear exactly when he updated the seller about that, but I assume that given the ultimatum he would have told the seller he had the money he needed in place straight away. But it's clear that the seller withdrew from the sale on 9 November 2022 – nine days later. That suggests to me that there were other factors involved with the seller's decision to withdraw. I can't be sure about that, or what those factors were. But I'm conscious that the property market was experiencing a volatile period at the time given the UK government's mini-budget in September 2022.

Although I appreciate that Mr R has told us he didn't want to commit all his money to the property, I also think (given that Mr R has told us he had the means to buy the property even if Santander had only been able to lend him £276,000 as he had the capacity to borrow well over £54,000) that Mr R could have chosen to use more of his own money to secure the sale after he knew the seller was serious about withdrawing from the sale from early October 2022. But he decided not to do that.

Overall, I don't think it's fair and reasonable to say that Santander was responsible for the seller of the property Mr R was buying withdrawing from the sale in November 2022. I don't think Santander made a mistake by only offering Mr R £311,500 either. It has told us that was outside of its policy to offer Mr R £330,000. So, I don't think it would be fair and reasonable for me to say it should have given him more, even if he thought he'd been assured he'd get that much.

Mr R has complained about a number of other frustrations he had with Santander e.g. his initial complaint was closed; Santander didn't ask for all the information it wanted at the same time; Santander using the post rather than email. I appreciate his strength of feeling about those issues. But I think the £200 compensation Santander offered him to resolve this complaint is fair and reasonable. It reflects the extent and nature of Santander's mistakes. I think Santander's mistakes had a moderate impact on Mr R.

Conclusion

Taking this matter as a whole, I think the £200 Santander has offered Mr R for resolving this complaint is fair and reasonable. It reflects the fact that Santander made some mistakes in the way that it communicated with Mr R and handled his mortgage application, and the impact of those mistakes on Mr R.

I appreciate that Mr R is likely to be unhappy with my decision. He has told us that he found

the mortgage application very stressful, and he doesn't think £200 is enough. I've no doubt this was a stressful period for him. I'm sorry to hear that, but for the reasons set out above I don't think it's fair to blame Santander for all the stress Mr R went through at the time.

Putting things right

To put matters right I think Santander should pay Mr R £200 compensation.

My final decision

My final decision is that Santander UK plc should pay Mr R £200 it has agreed to resolve this complaint, unless it has already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 February 2024.

Laura Forster
Ombudsman