

## **The complaint**

Mr C complains that, because of a mistake made by Santander UK Plc, he wasn't able to use the overpayments facility on his mortgage. Mr C wanted Santander to allow him to access a previous year's allowance, now.

## **What happened**

Mr C told us that when he took out a mortgage with Santander, it had made a mistake over his name. That mistake meant he couldn't set up an online account to make an overpayment to his mortgage between 2021 and 2022. Mr C said Santander had only told him how to make overpayments using this online method.

Mr C said in May 2022, he rang the bank, and it spotted the mistake. Santander then corrected its mistake, and told him he could make overpayments. Santander said it would also check if he could make overpayments retrospectively, but almost six months later, it hadn't replied.

Mr C said if he'd been able to make the overpayment, he would have used the allowance of 10% of his remaining mortgage in 2021 to 2022. Mr C said he'd suffered a financial loss, because he wasn't able to do that. He wanted Santander to grant him the 10% overpayment allowance for 2021 and recalculate his balance and interest from then, onwards.

Mr C's complaint came to our service in December 2023, and he sent us a final response letter from Santander dated 5 July 2023. So there seemed to be some confusion here about the dates.

When Santander contacted our service, it said that Mr C didn't have a mortgage with it in 2021. He'd started a Santander mortgage in January 2022.

Santander accepted that it had made a mistake with Mr C's name, which meant he couldn't set up an online account. It said it was sorry about that, and it had fixed this. Santander also said it had paid Mr C £50 to say sorry.

Santander's letter told Mr C it would check if he could still have the overpayment allowance from the previous year, 2022, and it would let him know if that was possible. But Santander hadn't then written to Mr C again, after this.

Our investigator thought this complaint should be upheld in part. He noted that Mr C didn't have a Santander mortgage in 2021, so he didn't have an overpayment allowance to use then. Our investigator also said Santander's terms provided for Mr C to make overpayments from his bank account, by card payment, by direct debit, by bank transfer or by cheque. So our investigator thought Mr C did have other ways to make sure his payment reached Santander.

Our investigator said that Mr C didn't ask Santander to fix things until June 2023, and it then discovered the mistake. Our investigator said if Mr C had called earlier, this issue could have been resolved sooner.

Our investigator noted that Santander's letter to Mr C, of July 2023, said this -

*"To fix this for you I have made a request to see if you can still have your 10% overpayment allowance for 2022, due to the reasons you have mentioned. I have now closed the complaint, but I will follow the request and let you know the decision as soon as it is made."*

And Santander never let Mr C know its decision on that. Our investigator thought Santander should have provided a proper response to Mr C about that. So our investigator said he would ask Santander to pay Mr C £100 now, to make up for not having sent him the further response it had promised.

Santander said that Mr C hadn't made any overpayments in 2023 either, and it wanted to know if that made a difference. Our investigator said that didn't change his view. Santander said then it would accept our investigator's view.

But Mr C didn't accept. He said he was surprised there were other options for making an overpayment. He couldn't see those at the time, and thought they mustn't have been immediately obvious to a regular customer. Mr C said he accepted he could have called the helpline sooner, but he said that the waiting time was long and he'd had to give up a number of times. Mr C said the overpayment process was much more complicated than advertised, he told us he had tried the week before to make a large overpayment, and that didn't work either.

Mr C said if he'd made an overpayment two years ago, he would have saved around £5,000, and he said he did have the money sitting in his account for all this time. Mr C said he was still concerned he'd lost that 10%. And he'd kept his money back in 2023, waiting to hear from Santander if he could use the allowance for 2022.

Mr C said he still wanted Santander to allow him to use that old allowance, and accept an overpayment on top of the annual 10%. He said he couldn't pay a lot more than the 10%, so even an extra 5% would be appreciated.

This case was then passed 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.

I've reached the same overall conclusion on this complaint as our investigator.

I do think that if Mr C wanted to make an overpayment in 2022, and wasn't able to set up an account to do this, then it would have been reasonable to expect him to contact Santander at the time. I don't think I can fairly and reasonably ask Santander to backdate any payment Mr C makes now, to 2022, when Mr C didn't contact it until July 2023.

But when Santander replied to Mr C, it said it would see if it was possible for Mr C to use his overpayment allowance for 2022, in 2023. I don't think Santander was offering to backdate

any payment Mr C made, it was just considering whether it would increase the allowance Mr C had for 2023, to add the allowance he missed out on in 2022.

Santander didn't then tell Mr C its decision on this. I think it should have done so, and I agree with our investigator that Santander should pay a little more compensation for this. I think an additional payment of £100 would provide a fair and reasonable outcome to this part of Mr C's complaint.

Mr C makes a further point now, which is that he didn't use his 2023 overpayment allowance, because he was waiting to hear if Santander would allow him to use the 2022 allowance. And Mr C also told us he was trying to use his overpayment allowance at the start of 2024, but hadn't been able to.

Because I don't think that Santander was ever offering to allow Mr C to backdate any overpayment, and because Mr C apparently has a little more than one year's allowance to pay to his mortgage anyway, I don't think that what Santander said about carrying forward Mr C's 2022 allowance, prevented Mr C from making any payment at all in 2023. And Santander has told us that, again, Mr C made no overpayment during this time.

When someone makes a large overpayment to their mortgage, they are foregoing the interest that could otherwise be earned on that money. It does appear that the fixed rate which currently applies to Mr C's mortgage is considerably less than Mr C could currently earn on an interest-bearing savings account.

And when someone makes a large overpayment to their mortgage, they are also foregoing easy access to those funds. If I have a large amount of savings in an easy access account, I can dip into that if I need to, to meet any unexpected expenses that may crop up. If, instead, I pay that into my mortgage, I cannot easily get the money back.

So a decision about mortgage overpayments is an important decision, with a number of consequences. Although Mr C does say he wanted to make his overpayment some time ago, I don't think it would be fair to both sides to require Santander to backdate such a payment, which would effectively mean that Mr C could make that decision in hindsight.

I could not say it was fair and reasonable for Santander to backdate an overpayment to Mr C's mortgage, if Mr C had chosen to earn interest on that money when it was available to him, then was retrospectively seeking to save money on his mortgage by having a payment backdated. I don't know if that's the case here, because I don't know if Mr C has earned interest on this money. Mr C says that the money has been in his current account, so he may not have been earning interest. But even if he wasn't, I would still say that Mr C had chosen then to have savings money available at the time, for any expenses he might meet. I don't think that, in the circumstances of this case, it would be fair and reasonable to ask Santander to accept this money now, as an overpayment for previous years of Mr C's mortgage.

I know Mr C will be disappointed, but I don't think his complaint that he wasn't allowed to backdate a mortgage overpayment to 2022 should be upheld.

I do think that Santander made a mistake in not telling Mr C promptly and clearly, in July 2023, that it did not intend to allow him to backdate any overpayment to 2022, or to carry forward any overpayment allowance from that year. So I agree with our investigator's suggestion that Santander should pay Mr C an additional £100 in compensation. But I don't think that means Santander has to allow Mr C to carry forward his allowance from 2023, or to backdate a payment that Mr C makes now to July 2023.

Mr C has told us that he has attempted to make an overpayment at the start of 2024, and that wasn't successful either. But that isn't part of the complaint I'm dealing with here, and our service must allow Santander a chance to consider any complaint on that matter, before we can intervene. So I won't look at that much more recent problem, as part of this case.

I will ask Santander to pay Mr C a further £100 now. I know Mr C will be disappointed, but I don't think Santander needs to do more than that.

### **My final decision**

My final decision is that Santander UK Plc should pay Mr C an additional £100 in compensation, on top of the payment of £50 it has already made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 June 2024.

Esther Absalom-Gough  
**Ombudsman**