

The complaint

Mr and Mrs T complain that Santander UK plc misadvised them about their options when they asked for help with their mortgage payments.

What happened

Mr and Mrs T's mortgage with Santander was on a fixed interest rate of 1.39% until 2 September 2023. After that date, the rate was due to change to Santander's 'Follow-On Rate' – a variable rate of Bank of England base rate plus 3.25%.

On 29 July 2023, Mrs T phoned Santander. She said the mortgage was due for renewal in September and she was concerned because she was aware that interest rates had increased significantly since she and her husband took their fixed rate in 2021. She said she expected to be on a reduced income for the next few months, and wouldn't be able to afford an increase in mortgage payments of around £500 a month. She asked what options Santander could offer.

Santander said that it didn't offer payment holidays, but that under the Mortgage Charter Mr and Mrs T could consider a temporary term extension or switch to interest-only payments. It gave Mrs T details of how making those changes would affect the monthly mortgage payments, based on the 1.39% interest rate the mortgage was on at the time. It also said that the interest rate change on the mortgage in just over a month's time would cause the monthly payments to increase.

Mrs T had several conversations with Santander, and she and Mr T went on to take a new interest rate product. They asked for the new rate to start straight away in order that they could then arrange a six-month period of interest-only payments. The new rate – of 5.54% until 2 January 2031 – took effect in August 2023.

Mr and Mrs T then found that the interest-only payments on the new interest rate were higher than the payments of capital and interest they had been making on the previous fixed interest rate. They complained, and they subsequently missed some mortgage payments.

Santander said it hadn't misinformed Mr and Mrs T, and they had asked to go ahead with the new fixed rate early in order to switch to interest-only payments sooner. It also said it hadn't told them that they didn't need to pay the mortgage while it looked into their complaint.

Mr and Mrs T referred their complaint to the Financial Ombudsman Service. Our Investigator listened to Mrs T's calls with Santander and concluded that Santander hadn't misinformed her. He didn't recommend that the complaint should be upheld.

Mr and Mrs T were very disappointed with that outcome. They felt that Santander hadn't explained the situation properly – they had just wanted to make reduced payments for a short time, and they had understood that's what they would be getting. They will now pay a much higher rate of interest than they had been paying for seven years and they have mortgage arrears on their credit files, and they consider that they have ended up in this position because of unclear information from Santander.

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, while I realise that this isn't the answer Mr and Mrs T were hoping for, I find I can't fairly uphold this complaint.

I've listened to recordings of all the calls between Mrs T and Santander that have been provided. Mrs T was worried about having to pay a higher rate of interest on her and her husband's mortgage when the fixed rate ended in September 2023. I think Santander was right to discuss the Mortgage Charter with her and the options available under the Charter. I don't think it misled her or gave her wrong information. I'm satisfied that it made clear that the information it gave her about the impact on the monthly mortgage payments of a term extension or switch to interest-only was based on the then current interest rate of 1.39% and was only indicative.

Mr and Mrs T's existing fixed rate was, however, due to end just over a month after Mrs T's initial call to Santander. Santander explained to Mrs T on more than one call that if it put in place a temporary switch to interest-only or a term extension in July 2023, that arrangement would end if Mr and Mrs T took a new interest rate product in September 2023. So it said that they could either wait until September to take up one of the options under the Mortgage Charter, or take a new interest rate product sooner and then switch to interest-only or extend the term. It also said they could arrange a new rate on the phone with an adviser or do it themselves online.

Mr and Mrs T took a new fixed interest rate of 5.54% until 2 January 2031. They did so online, without advice or a recommendation from Santander. Mrs T then called Santander in early August 2023 to ask for the new rate to be implemented straight away in order that she could then arrange the switch to interest-only payments for six months. I've listened carefully to the calls she had with Santander about that.

On a call on 31 July 2023, Santander told Mrs T that she was on a "very good low rate" (the 1.39% rate), but if she wanted the new fixed interest rate to start sooner than the existing rate was due to expire on 2 September 2023, it could arrange that. It also told her that interest-only payments on the mortgage at an interest rate of 5.54% would come to just over £1,000 a month.

On a call on 2 August 2023, Mrs T asked for the new 5.54% interest rate to start straight away. Santander asked her twice on this fairly short call whether she was sure she wanted to go ahead, instead of having another month on the 1.39% rate, and she confirmed she did. I'm satisfied that it checked Mrs T understood the implications of ending the lower rate sooner.

I can't fairly conclude that Santander misled Mr and Mrs T. Interest-only payments on the new 5.54% interest rate product turned out to be higher than the capital and interest repayments Mr and Mrs T had been making on the previous interest rate. But I don't think that Santander misinformed Mr and Mrs T about this – it had been clear in its conversations with Mrs T in July 2023 that monthly payments of interest-only would only be as low as around £253 while the mortgage was on a rate of 1.39%.

The 1.39% rate was always due to end on 2 September 2023. At that point Mr and Mrs T would always have needed either to choose a new interest rate product or pay interest at the Follow-On Rate. I don't consider the fact that they chose a new rate and asked for it to be implemented a few weeks earlier than they needed to was down to any misinformation they

were given by Santander. I also don't find, having listened to the calls, that Santander told Mr and Mrs T to stop making their mortgage payments. Santander did have a discussion with Mrs T about cancelling the direct debit for the mortgage, because Mrs T was worried that she would be left in financial difficulty if the payment went out – but that's not to say that Santander told her she didn't need to make payments to the mortgage. I don't think it did, and I don't think it failed to meet the standards set out in the Mortgage Charter.

I hope that Mr and Mrs T are now in a better position now that Mrs T has returned to work. I understand that missing some mortgage payments affected Mr and Mrs T's eligibility for support under the Mortgage Charter. If they feel that Santander didn't offer them appropriate options and support following the implementation of the new fixed interest rate, they may be able to make a separate complaint about that if they wish to do so.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 3 July 2024.

Janet Millington
Ombudsman