

The complaint

Mr and Mrs W complain that Santander UK Plc gave them incorrect advice and misinformation, which led them to miss out on a favourable interest rate on their mortgage.

What happened

Mr and Mrs W have a mortgage with Santander. In 2022 they were coming to the end of a fixed rate period. The rate expired on 2 September 2022, so Mr and Mrs W got in touch with Santander to discuss their options, beginning in May 2022.

Mr and Mrs W had also decided to sell their property and move home. With that in mind, they were considering a tracker rate rather than a fixed rate, because Santander offers tracker rates that don't include an early repayment charge (ERC).

On 14 June 2022, Mr W had a call with Santander to discuss the rates available. He discussed taking a tracker rate of 1.19% above Bank of England base rate. No application was completed on that day. On 19 July, Mr W called Santander again. In this call, he was told that he could reserve a rate without committing to it and it would be held for 14 days. Mr and Mrs W then applied for a rate – by this time, Santander's tracker rate had increased to a margin of 1.44% above base rate.

Mr and Mrs W didn't accept that offer, but made a series of other applications. As rates hadn't changed in the meantime, their final application – also for a tracker rate of 1.44% above base rate – was applied to their mortgage in September.

Mr and Mrs W complained that they'd ended up with the 1.44% tracker margin rather than the 1.19% margin rate they'd initially discussed. Our investigator thought the complaint should be upheld. She said that Santander should re-work Mr and Mrs W's mortgage to put the 1.19% margin rate in place instead of the 1.44% margin rate. And she said it should pay them £150 compensation.

Santander didn't agree with that. It said its communication could have been better, especially around the 19 July call and whether Mr and Mrs W would be committed to a rate once they'd applied. It offered £500 compensation for the upset that resulted from that, but it wouldn't agree to put the 1.19% tracker margin in place.

Mr and Mrs W didn't accept that offer, and Santander didn't agree it should backdate the rate. So the case came to me to make a decision on a fair outcome. I issued a provisional decision setting out my thoughts on the complaint.

My provisional decision

In summary, I said:

- Santander doesn't allow customers to reserve a rate without committing to it. But when it offers a rate, it allows a customer 14 days to decide whether or not to accept the offer. Once an offer is accepted, it's then binding and there's no right of

withdrawal.

- Mr and Mrs W were misled about that in the 19 July call. They shouldn't have been told they could reserve a rate without commitment for 14 days, they should have been told they had 14 days to decide whether to accept an offer once they'd made a decision about what to apply for.
- However, I didn't think that this mistake meant that Mr and Mrs W lost out on a rate they would otherwise have been entitled to.
- Nor did I think that Mr and Mrs W had secured the 1.19% rate in June.
- On 14 June, when the 1.19% margin tracker rate was available, Mr W initially said he was just exploring his options, but then decided to take that rate. But, after a disagreement about the fairness of Santander's porting requirements, he said he didn't have time to complete an application that day.
- On 21 June, when Mr W called back, he asked whether he would be able to get a better rate applying for a new mortgage than was available as a rate switch on an existing mortgage. The adviser he spoke to said he would need to speak to a separate department about new mortgage rates and gave him the number. The adviser told him what rates were available as a rate switch on an existing mortgage.
- Mr W wasn't told that better rates would definitely be available if he applied for a new mortgage than if he applied for a rate switch. He was told that it was sometimes the case that those rates were slightly better. That was correct.
- In July, Mr and Mrs W applied for a rate switch. By this time the 1.19% margin rate was no longer available. Santander offered a rate with a 1.44% margin. Mr and Mrs W didn't accept that offer. Instead, they cancelled it and re-applied, doing so four times in all. As Santander hadn't changed its rates in the meantime, the offer was the same each time. They finally accepted an offer of a 1.44% margin rate issued on 30 August, and the rate was applied to their mortgage in September.
- Between the discussions in June and the discussions in July, Santander had changed the rates it had available. Lenders do this frequently and it's not unfair or unreasonable. It will only offer rates available on the date an application is made.
- The 1.19% margin rate was available in June. But Mr and Mrs W didn't apply for it at that time. On 14 June Mr W didn't have time to complete an application, and on 21 June he wanted to explore other options.
- By July, when Mr and Mrs W did apply for a rate switch, the 1.19% rate was no longer available and had been replaced by the 1.44% rate. Therefore that was the rate that Santander offered them.
- Mr and Mrs W didn't accept that offer. They cancelled it, and cancelled three subsequent offers. They only decided to complete on the rate following the 30 August offer.
- The rate they accepted on 30 August was 1.44% above base rate. But that wasn't because they had reserved that rate in July. It was because that was the rate that was available on 30 August. Santander hadn't changed its available rates in the meantime. But if it had, Mr and Mrs W would have been offered the changed rate instead.

- Therefore Mr and Mrs W hadn't lost out on the 1.19% rate because of something Santander had done wrong. By the time they first completed an application in July, and by the time they committed to a rate switch on 30 August, that rate was no longer available to them. The only way Mr and Mrs W could have secured that rate was to have applied in June and accepted the offer within 14 days.
- In the circumstances, I thought Santander's offer of £500 compensation for giving them misleading information, and raising their expectations, in the July call was a fair one.

The responses to my provisional decision

Santander accepted my provisional decision.

But Mr and Mrs W made clear that they didn't agree with my provisional decision or the reasoning behind it. They said:

- Their complaint was that Santander failed to give them critical information in good time, and gave them inaccurate and inappropriate advice.
- They wanted a tracker rate because it had no ERC, and they were planning to move home within the next six months. They first discussed this with Santander in May, when they were told the 1.19% margin rate was the best available tracker rate.
- Mr and Mrs W were willing to commit to that rate on the 14 June call. Mr W said as much and began an application. When I said in my provisional decision that they were unwilling to commit and didn't have enough time to complete an application, that's not true and not a fair reflection of the call.
- In July, when Santander confirmed that current rates for rate switches were better than rates for new mortgages, Mr and Mrs W decided to take the 1.44% tracker rate, and completed an application on 21 July.
- Mr and Mrs W made further applications after that to keep their options open in case Santander began to offer better rates before their previous fixed rate expired. It's not the case that they were unable to make up their minds; they were simply making sure they were able to get the best rate.
- Mr and Mrs W were ready to apply on 14 June, and should have been able to secure the 1.19% rate. They began their application on that date and that is the rate that should have been made available to them. Had the adviser told them that they would then have had 14 days to decide whether to go ahead and commit, they would then have been able to preserve that rate from June onwards, as they ended up doing with the 1.44% rate from July onwards. Mr and Mrs W should have been advised that their best option was to proceed with that rate on that day.

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.

In their response to my provisional decision, Mr and Mrs W have emphasised that they believe Santander's failings were because of the 14 June call.

On that call, Mr W initially said they were considering their options. There was a discussion

about what was available and the impact of various options on their mortgage. Mr W asked about the process for moving house and porting the mortgage. The adviser explained how that worked. Mr W didn't agree that the process was fair and there was a lengthy discussion about that. He also asked about contact details for the head of mortgages at Santander.

It was only 25 minutes into the call that Mr W asked to take the 1.19% rate. The adviser explained that he would need to go through an application, which would take around 15 minutes. Mr W questioned why it would take 15 minutes and said he didn't have that time available. The adviser offered a call back, but Mr W said he would call back the following day. Mr W then agreed to start the process now, doing it as quickly as possible. There was then a brief discussion about whether there might be better rates available if Mr and Mrs W decided to wait and apply for a new mortgage when they moved. Mr W said that this was "getting too involved", that he didn't have time to continue, and would call back the next day.

I don't agree that Mr W ended the call because he was advised "not to do anything at this stage". The adviser did say that this would be normal advice to customers in their situation thinking of a fixed rate, but that Mr and Mrs W wouldn't be tied in because they would be taking a tracker rate without ERC so this wasn't a normal situation. The adviser was in the process of discussing the various options to agree a way forward when Mr W ended the call because it was "too involved" and he was running out of time.

I don't think there was anything wrong with how Santander handled this call. The first part was taken up with discussion of the various options and rates available, followed by a disagreement about Santander's process for porting. It was only at the end that Mr W confirmed that he wanted to take the 1.19% tracker margin and the application began. That the application didn't start until 25 minutes into the call was because of Mr W's questions and disagreements about Santander's processes, not because the adviser delayed matters.

Once Mr W confirmed what he wanted to do and agreed to start an application, he then said around three minutes later that he didn't have time to continue and ended the call. This meant that the application didn't progress and – as it had barely started – Santander couldn't offer the 1.19% rate at that time.

I also don't think it was unreasonable that the adviser didn't mention that any offer of a rate would be open for 14 days after issue. The application hadn't progressed that far – because Mr W didn't want to continue – so I wouldn't expect the adviser to have explained the terms on which an offer would be made until that point had been reached.

By starting an application, but then pulling out of it for lack of time, Mr and Mrs W had not secured the 1.19% rate, and I don't think it would be fair to expect Santander to treat them as if they had. The rate would only be secured once Santander had asked the questions and obtained the information it needed, given advice, and agreed to make an offer. That didn't happen because Mr W didn't have time to go through the process on that day.

Mr W said he would call back the following day to complete the application but didn't do so. By the time he did make an application, in July, the 1.19% rate was no longer available. I can't fairly hold Santander responsible for that.

I think it was clear following the 14 June call that Santander currently had a 1.19% tracker rate available, and that Mr and Mrs W would need to contact Santander to complete an application for it. That they didn't do so until after that rate was no longer available is not because of something Santander did wrong.

Putting things right

Santander has offered £500 compensation to Mr and Mrs W to settle their complaint. I think that's a fair offer in all the circumstances.

My final decision

My final decision is that Santander UK Plc has made a fair and reasonable offer to settle this complaint. It should pay Mr and Mrs W £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 15 April 2024.

Simon Pugh
Ombudsman