

The complaint

Mr and Mrs S complain that Santander UK Plc would only allow them to secure a new interest rate product for their mortgage up to five months before their existing rate ended.

They say they wanted to secure a new rate six months before their existing rate ended and were told that they would only be able to select a new rate five months prior to their existing rate ending. They want to know when Santander's policy changed.

What happened

Mr and Mrs S have a mortgage with Santander and their fixed rate ran until 2 April 2023.

In August 2022 Mr and Mrs S spoke to Santander and were told they could secure a new rate five months prior to their existing rate ending. Mr and Mrs S called Santander again in October 2022 and were told the previous information was incorrect, and a rate can only be secured four months prior to their existing rate ending.

From February 2023 Mr and Mrs S looked online at various different rates and received mortgage product transfer offers for some of those. On 22 March 2023 Santander issued a mortgage product transfer offer for a new rate fixed at 4.16% until 2 July 2028. Mr and Mrs S accepted that and their mortgage transferred onto the new rate from 3 April 2023.

Mr and Mrs S complained to Santander. They said they called the mortgage department six months before their existing deal was due to end and rates were around 2.5% at that time. They say they were told the earliest they could secure a new rate was five months before the existing rate was due to end. They say they were shocked by this as it had always been six months, and it is six months with other banks. They say they waited but at the five-month prior point rates had increased substantially, so they waited a little longer, eventually securing a rate fixed at 4.16% for five years.

Santander didn't uphold the complaint saying its policy at the time was that a new rate could only be secured four months (or less) prior to the existing rate ending. It said that has always been the case – other than a brief period in October and November 2016 when it was briefly extended to six months - until it changed to six months prior in July 2023. Santander apologised for the fact that one agent, in August 2022, incorrectly said it was five months (and it paid £50 compensation for that mistake), but said that the information given in the other calls was correct in that a new rate could be secured from 2 December 2022 onwards.

Our Investigator said he felt the payment of £50 was fair for the misinformation given in August 2022 as that misinformation was corrected before Mr and Mrs S were able to secure a new rate. In respect of the time period allowed, he didn't uphold the complaint. He said it is up to Santander to decide how long in advance of a rate ending it allows consumers to secure a new rate, and at the time in question Santander allowed new rates to be secured no more than four months in advance.

Mr and Mrs S didn't accept our Investigator's findings, saying their mortgage has increased by over £500 a month. They said our Investigator hadn't addressed the key issue, and they

needed to know the dates when Santander changed its policy so they can prove it is intentionally profiteering, without giving due warning to its customers.

Our Investigator confirmed what Santander had told us in that it had been four months since December 2016, only changing in July 2023 to six months. He said as Santander had applied its policy correctly then he couldn't say it had made an error.

Mr and Mrs S responded to say that historically the terms were six months, and changing that seems unreasonable. They said industry practice is six months, and rather than looking at whether Santander made a mistake we should be thinking about whether this is unfair commercial practices and changing terms to purposely profiteer.

Our Investigator explained that we're not the regulator and we don't dictate policy and procedures. He said we look at individual cases, and here Santander had applied its policy correctly and fairly.

As an agreement couldn't be reached the case has been passed to me to decide.

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 acknowledge that Mr and Mrs S feel Santander's policy was unfair and not in line with good industry practice, but as our Investigator explained we look at each case individually rather than commenting on a business' practice overall.

There's no underlying right within Mr and Mrs S' mortgage contract that means Santander has to offer them a new interest rate product at all, let alone one that says it must be offered at a certain time before their existing rate ends. Whilst many lenders allow borrowers to switch to new preferential rate products that isn't something they have to do, and there was no "good industry practice" that dictated that should be six months before, with many other lenders also not allowing a new rate to be secured as far as six months in advance.

Things changed in July 2023 when the Mortgage Charter came into effect, with some lenders (including Santander) changing to six months at that time. But even under the Mortgage Charter that isn't something they have to do as whilst it says that the signatories to the charter had agreed that with effect from 10 July 2023 customers approaching the end of a fixed rate deal will have the chance to lock in a deal up to six months ahead, the footnote to that says *"Six months is the maximum time lenders may offer for customers to sign up to a new deal under the Mortgage Charter. Borrowers should contact their lender to understand how far in advance their lender will be able to offer them the option to lock in a deal."*

Whilst the Mortgage Charter isn't relevant here as the events happened before that came into effect, I think it is important to note that even the additional commitments to support borrowers that lenders agreed to in July 2023 don't go so far as to say a lender must allow a borrower to secure a new product six months in advance, instead it says "up to six months", with the footnote explaining that is the maximum, and each lender may offer something different to - that is, less than - that.

I don't know when Santander started to allow new rates to be secured four months in advance, but I don't need to know that to fairly decide this complaint. I know that has been the case since December 2016 so this wasn't a new policy change to catch borrowers out and profiteer due to increasing interest rates (which started in 2022) as Mr and Mrs S have said.

Mr and Mrs S have said the first time they had heard it wasn't six months resulted in them not having enough time to replace their mortgage or look for other lending. But they were told it was five months (in error) in August 2022 and four months (correctly) in October 2022, which were eight months and six months respectively before their rate was due to end allowing plenty of time for them to source and secure a remortgage if that is what they wanted to do. In any event, even if they were allowed to secure a new rate with Santander six months before (which wasn't the case, I simply mention this for completeness), that would have been from the 3 October 2022 which was just after the mini-budget – a time rates were withdrawn and replaced with substantially higher rates with little or no notice.

Mr and Mrs S have also said *"At the same time they also made 2 years deals more expensive than 5 year deals (which again is unheard of) forcing and boxing-in people like me to long term expensive deals. Totally unfair and poor practice."* But this wasn't something specific to Santander, most lenders were offering lower rates for five-year fixed rates than they were for two-year fixed rates at that time due to the nature and volatility of the markets.

In summary, there was no contractual term that meant Santander had to offer Mr and Mrs S a new rate, much less when it had to offer that, so I don't agree that Santander has changed the terms of Mr and Mrs S' mortgage. I'm also satisfied Santander didn't treat Mr and Mrs S any differently to how it treated all of its customers in this respect, and since at least December 2016 and potentially long before then (apart from October and November 2016) it only allowed new products to be secured if there were four months or less remaining on the existing product.

I appreciate how frustrating this has been for Mr and Mrs S and I sympathise with the position they found themselves in with increasing interest rates. But whilst I understand their strength of feeling about this matter Santander didn't do anything wrong as, at that time, it didn't allow existing customers to secure new products more than four months before they were due, and that was a commercial decision it was entitled to make.

I understand Santander has already paid the £50 it offered for the misinformation it gave in August 2022, and had it not already made (and paid) that offer I wouldn't have awarded anything more than that.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 2 July 2024.

Julia Meadows

Ombudsman