

The complaint

Mr and Mrs M complain that Santander UK Plc offer lower rates to new customers than are available to them as existing customers. They are also unhappy about the fee they had to pay to take a new fixed rate.

What happened

Mr and Mrs M have a mortgage with Santander that started in 2015. In 2020, Mr and Mrs M took a new rate for this mortgage. The rate was fixed until 2 November 2023.

On 6 July 2023, Mr and Mrs M applied for a new fixed rate of 5.19% fixed until 2 October 2028. They did this on a non-advised basis; meaning that Santander didn't recommend the rate and Mr and Mrs M chose to take the new rate. This new fixed rate was due to start on 3 November 2023, the date that their existing fixed rate was due to expire. The mortgage was successfully transferred as planned to the new fixed rate on 3 November 2023.

Following this, Mr and Mrs M complained to Santander. They said that better rates were available to first time buyers in November 2023. They said that they were financially worse off as a result of this, and they were unhappy that they'd had to pay a fee to transfer to the new mortgage rate for what was essentially a tick box exercise.

Santander responded to the complaint. It explained that it felt its rates to existing customers were competitive. But that it would sometimes offer lower rates to new customers to attract them to Santander, and because first time buyers may have additional fees involved.

Unhappy with this response, Mr and Mrs M referred their complaint to our Service. They added at this time that they were unhappy with the speed and manner which Santander had responded to their complaint.

One of our Investigators looked into the complaint, but she didn't think it should be upheld. She was satisfied that having different rates for new and existing customers was a commercial decision Santander was entitled to make.

Mr and Mrs M didn't accept this. They said it wasn't fair for them to be paying a higher amount than a new borrower who would represent a higher risk. Mr and Mrs M said that they should be entitled to the lower rate available for first time buyers or be allowed to exit their mortgage and apply for a new mortgage in the wider market.

Mr and Mrs M asked for a review of their complaint. So, it's been passed to me to consider and make 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.

When Mr and Mrs M applied for the new fixed rate, they did so on a non-advised basis. This means they were responsible for choosing whether the new mortgage they were applying for

was right for them. So, Santander didn't need to assess whether this rate was suitable for them, or whether they may be better off with a different rate. They applied for this new rate significantly in advance of the previous fixed rate ending. So, there was always a risk that rates may change.

When they applied for the new rate on 6 July 2023, they accepted the offer immediately after. There was no cooling off period. This meant that, once they had accepted the new rate, they couldn't withdraw from it. So, even if lower rates were available nearer the time of the new mortgage starting, they had already committed to the new rate they had selected.

Mr and Mrs M are unhappy that Santander offered lower rates to new borrowers who may represent more risk. However, this isn't unusual in the industry. Lenders are generally able to choose who to lend to and at what rates. If Santander wished to attract new borrowers at the time by offering lower rates, it was entitled to do so, and it is likely that Mr and Mrs M benefitted from this practice when they originally took out their mortgage. And its explanation for why it sets rates in this manner is reasonable. Whilst Mr and Mrs M may be lower risk as they say, whether to reward this or not with lower rates was a decision for Santander to make.

Ultimately, if Mr and Mrs M weren't happy with the rate they were being offered, there was no obligation to proceed. And they were free to shop around. But they applied for and accepted the new rate and are therefore bound by it.

Mr and Mrs M have said they should be able to move their mortgage elsewhere but given that they have committed to this new rate, they would need to pay the early repayment charge to exit this fixed rate early. And there's no reason for me to tell Santander to waive this fee.

Moving on to the fee of £995 that Mr and Mrs M had to pay for this fixed rate mortgage. Their key point is that this fee was for them to simply tick some boxes. However, that's not the case. Most lenders will offer new and existing borrowers a choice of fixed rates, over different periods and some with a fee and some without. Where a fee is charged by a lender it is usually around the £1,000 mark and will be linked to lower rates than the products without a fee. It's for the lender to set the fee, and the fee covers the cost to the lender of offering the lower fixed rate. The fee isn't based purely to cover the costs of changing the mortgage as Mr and Mrs M believe.

There was a higher fixed rate with no fee that was available to them at the time. But they chose the lower fixed rate with the fee. Again, this was all done without any advice or input from Santander. So, Mr and Mrs M are responsible for this decision.

Mr and Mrs M have said that Santander has obligations under the FCA's Consumer Duty to provide them with a good outcome. However, at the time they applied for this new mortgage, the Consumer Duty rules hadn't come into effect. So, these rules are not relevant in their complaint.

Lastly, Mr and Mrs M are unhappy with how Santander responded to their complaint and the time taken. As our Investigator explained to them, complaint handling isn't an activity our Service is able to consider. So, I can't comment on that within this decision.

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 and Mrs M to

accept or reject my decision before 6 December 2024.

Rob Deadman
Ombudsman