

The complaint

Mrs D and Mr D complain that Santander UK Plc didn't reduce the term of their mortgage properly. The repayments were lower than they wanted, which made the term much longer than needed. And they told us about the problems they had, trying to complain about this.

What happened

Whilst this complaint is brought by both Mr and Mrs D, as the mortgage is in both their names, our dealings have been with Mrs D. So I'll mainly refer to her in this decision.

Mrs D told us she spoke to Santander on 26 April 2023 to agree a new fixed interest rate deal on her mortgage, following on from the existing deal that was due to finish at the end of August 2023. She arranged to make an overpayment on that call, and she then reduced the term of her mortgage. The agent said her payments would stay almost the same, but this would allow her to pay the mortgage off faster. This was a key priority for Mr and Mrs D.

But Mrs D said when the deal came into force, the payments weren't what she expected. She'd been told to expect monthly payments of £521, but her payments were under £490. Mrs D said that meant the term would be longer, unnecessarily, and she would pay more interest as a result. After the first two payments, she got in touch with Santander.

Mrs D said she wanted to complain about two things. The first was that her payments weren't what Santander told her they would be, in April 2023. She said Santander told her that payments quoted are approximate, and she said she accepted that, but she didn't accept that Santander had made its best efforts to give her a reasonable approximation of what she'd be paying. Santander just hadn't taken any account of the payments due to be made between 26 April 2023, when she spoke to it, and the coming into force of the new mortgage deal on 1 September 2023.

Mrs D said Santander knew she'd been making her mortgage payments each month, for some years. She felt it should have assumed the payments would continue. And what she'd ended up with just didn't match what she was told on the phone about this agreement.

Mrs D said she was also incredibly dissatisfied with how Santander had handled her complaint. She said she called three times to raise her concerns, and spent over an hour and a half trying to discuss them.

Mrs D said that she rang first on 11 September and was told that a specialist team would contact her within 7 days, but no one rang.

She called back on 9 October, when she said Santander told her it had made a mistake, and would be in touch within 7 days. Again, no one rang.

Mrs D rang a third time on 20 October. That time, Santander said it hadn't made a mistake, and making a formal complaint was the only way to progress things. Mrs D complained then, Santander said it would contact her within 3 working days. Again, this did not happen.

Mrs D said she missed a call from Santander two weeks later, on Friday 10 November. She rang back on the Monday, was unable to speak to the caller, but she did speak to someone who said she was reading from the relevant notes. Mrs D said Santander's agent told her Santander accepted there was a mistake, but this hadn't had an adverse effect on her, so it was offering £50 in compensation as a gesture.

Mrs D refused that, she felt she was worse off because of what Santander had done. She wanted Santander to do what it had said it was doing on the call on 26 April, to adjust the term of her mortgage so that her payments really were at the £521 amount Santander had told her to expect.

Mrs D then got a letter telling her that no mistake had been made. She said she was now unclear as to whether a mistake was made or not. She had been told twice there was, but the letter said not.

Mrs D thought she would pay around £250 more in interest across the term of her mortgage (assuming interest rates stay the same) due to the lower than expected payments. And she'd spent an hour and a half on the phone to Santander, and another couple of hours poring over documents to understand what was happening. She said she'd found all this stressful, and was now incredibly distrustful of Santander as her bank and as a brand.

Mrs D wanted her term to be adjusted, and for Santander to change its procedures so this doesn't happen again. She wanted to know why she was told there was a mistake, then that there wasn't. And she wanted compensation. Finally, she said she'd like an apology.

Santander didn't think it had done anything wrong. It said any paperwork it issues is only able to quote the balance at the time, minus any agreed lump sums. It can't assume further payments will be made, because this may invalidate the agreement. Any payments quoted are approximate given the potential balance variation. Santander said it did recognise that there is quite a difference in Mrs D's case, because of the relatively short term remaining. But Santander said Mrs D's mortgage had been implemented in line with the paperwork so there had been no error made.

Our investigator didn't think this complaint should be upheld. He pointed to sections in the mortgage offer paperwork Mrs D received, which explained that *"For the purposes of the calculations in this mortgage offer, we've assumed your new product will start 14 days from the date of this offer"*. The payments were set then, based on the balance and the interest-rate and the remaining term.

The offer also contained the following warning:

"Please be aware that monthly payments and term of loan quoted in this offer are approximate, as they are based on your mortgage balance at the time the offer was generated and do not account for any changes that may occur to your mortgage balance or mortgage term between now and the date the new rate starts... Changes may include capital or normal monthly payments, added interest and interest rate changes"

So our investigator didn't think Santander had made a mistake over the changes to Mrs D's mortgage. And our investigator also said our service couldn't look into Mrs D's complaint about how Santander handled her complaint, because that isn't considered a regulated activity, and our service doesn't have jurisdiction to look into that.

Mrs D wanted to know what we were and weren't allowed to consider. She wanted to flag again that she was told twice a mistake was made, then told it wasn't. She said she was still

left concerned there had been a mistake. Mrs D also wanted to know why we hadn't explained sooner if we couldn't look into this, and asked if another organisation could.

Our investigator replied, to say he still thought the points Mrs D raised were related to Santander's complaint handling. And the final response letter confirmed Santander didn't accept a mistake had been made. Our investigator said there wasn't another organisation we could direct Mrs D to, to complain about this. And he was sorry if his introductory email had caused confusion about what we would be able to look into, it wasn't intended to do that.

Mrs D wanted her complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

I'd like to start by saying Santander did set up a mortgage deal in accordance with the offer paperwork it sent to Mrs D. That explained that the amounts quoted were based on the deal coming into force in only a couple of weeks, and that all the amounts quoted were approximate. So Santander did what it had told Mrs D in writing that it would do.

However, I've listened to the call Mrs D had with Santander on 26 April, and I don't think any of this was explained to Mrs D. I think it would have been quite reasonable for Mrs D to expect the amount quoted for her monthly payments, £521, was exactly what she would be paying. Santander's agent said that *"..your payment after September is going to be exactly £521 fixed for two years."* So there was no suggestion on this call these figures were approximate, or the best Santander could do, given system limitations and the amount of time before the new mortgage deal would take effect. Quite the opposite.

I think this call was, unfortunately, poor service for Mrs D, and left her with a quite reasonable expectation of how her mortgage was going to operate after September 2023, which was not likely to be fulfilled.

I do think, however, if this had been explained properly, on this call, Mrs D would still have been likely to go ahead with the same change to her mortgage. Santander's agent had explained that when reducing a mortgage term involves increasing the monthly payments, it needs to obtain full information on the customer's income and expenditure. That is a necessarily lengthy and time consuming process.

So Santander's agent could have explained the situation as it was – that Santander could approximate her future payments, and that it would be able to apply a term reduction for her through a light-touch process, meeting her goals of paying this mortgage off faster, as long as the estimate of her future monthly payments wasn't higher than her existing payments. And I think if he had done this, then Mrs D would have been likely to go ahead with the same term reduction.

I have taken this into account in deciding Santander doesn't have to reduce the term of Mrs D's mortgage now, as well as the paperwork that Santander subsequently sent.

Mrs D also wanted to complain about what happened when she approached Santander with her concern about the differences in payments. Our investigator didn't think we could look into this. I don't think that's right, in the circumstances of this case. Whilst our service may not have jurisdiction to consider freestanding complaints which are solely about how a financial business has responded to a complaint, I think that what Mrs D

complaints about here was all part of resolving her existing concern about her payments. And as such, I'm satisfied that I can consider this, as part of her overall complaint.

Mrs D told us how many times she'd had to ring Santander, and also told us about the conflicting messages she had received. Santander hasn't provided evidence on this point, but Mrs D has evidenced the phone calls she made.

It does appear that Mrs D has spent a long time trying to raise this issue with Santander, and to resolve it. I think that it's likely that Mrs D has received poor service from Santander, in trying to find out why her actual monthly payments were so different from what she'd been quite clearly and definitively told to expect.

So I do think that Santander should pay some compensation in this case, to make up for the examples of poor service noted above. I think a payment of £250 would provide a fair and reasonable outcome to this complaint, that's what I currently propose to award.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Santander replied, to say it was happy to agree with the outcome reached. Mrs D raised a minor issue about the order of events on the call she had with Santander, and I have amended the above decision in line with this. She also said she had nothing else to add, and would be pleased to see a final decision in line with the provisional decision.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Santander UK Plc must pay Mr and Mrs D £250 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 3 July 2024.

Esther Absalom-Gough

Ombudsman