

The complaint

The estate of Mr T complains about how Santander UK Plc administered the mortgage following Mr T's death. In particular, they complain that Santander:

- Charged too much when the mortgage was redeemed.
- Applied the follow-on rate rather than the standard variable rate (SVR).
- Has not provided any evidence it still owned the mortgage debt.
- Gave the executor incorrect and misleading information.
- Didn't tell them it was charging interest on the arrears separately

What happened

Mr T had a mortgage with Santander with a fixed interest rate of 1.94% until 2 April 2022. After that it reverted to Santander's follow-on rate).

In 2021, Mr T sadly passed away. In May 2022, Mr T's mother, Mrs T, was appointed executor of his estate. Mr T's family are unhappy with how Santander has administered the mortgage. In 2023, I issued a decision about the information given by Santander following Mr T's death. This complaint is about events after that decision – or things that did not form part of that complaint.

The investigator did not think the complaint should be upheld.

The estate did not accept what the investigator said. It made a number of points, including:

- Mr T's mortgage was meant to revert to the SVR, not the follow-on rate.
- Santander wouldn't allow them to make payments or switch to a new interest rate.
- They will only accept a mortgage offer signed by Mr T.
- The redemption figure is incorrect. On 15 December 2023 the balance was £428,527. Interest was roughly £100 a day. They redeemed the mortgage on 5 January 2024, around 20 days later. So they should have been charged around £420,727 – including £2,000 interest and £200 redemption fee.
- They want Santander to prove it still owns the debt and hasn't sold it to a third party. If it has done that then it is fraudulent and the settlement amount should be refunded.
- Santander told Mrs T that if the property was repossessed it wouldn't chase the estate for the shortfall. But when she asked for the property to be repossessed, Santander threatened to apply charges and made demands to cover the shortfall amounts. It also said she should get a mortgage to repay the debt.

- Santander did not tell them it was charging interest on the arrears amount.

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 understand how upsetting Mr T's family have found dealing with his estate. I do not doubt anything they have said and I realise how difficult it must have been to deal with this matter following his death.

The estate has referred a complaint to us. I understand why they think we should look at it differently and in particular take into account the impact on them personally. But I can only act in line with our rules. If I did not do so, this decision would not stand.

The rules say that I can only award compensation to eligible complainants. The eligible complainant in this case is the estate. Mr T's family have brought this complaint on behalf of the state, but they are not eligible in their own right to complain to us. It follows, we can't compensate the family or the executor of the estate for any impact of this matter on them personally. I can only make an award for any financial loss suffered by the estate.

Redemption amount

The interest was calculated on the balance of the mortgage each day. But it was only applied to the mortgage on the first day of the following month, when the payment was due.

I have not seen any evidence that Santander included all of the interest due in January 2024 when it calculated the redemption amount. The statement we have shows that the interest due for December 2023 was applied to the mortgage on 1 January 2024. The balance increased because no payment was made.

Santander has explained that the letter it sent on 14 December 2023 only set out the balance of the mortgage on that date. I understand why the estate considers that figure should be used to calculate how much to redeem the mortgage. But Santander has explained that was only a snapshot of the balance on a specific day and did not include closing interest or fees. That seems like a reasonable explanation to me – and reflects how interest it calculated and applied to the mortgage.

Looking at all of the evidence we have, I can't see any error by Santander in how it calculated the redemption figure for the mortgage. The estate has not put forward any persuasive evidence to show it has been calculated incorrectly.

I would add that the £225 account fee payable when the mortgage was redeemed was set out in the mortgage offer. Many lenders apply such a fee to cover costs it incurs in administering and redeeming the mortgage. It was reasonable for Santander to apply the fee in line with the offer. The amount was not out of line with what other lender charge.

Follow-on rate

In December 2019, Mr T transferred his mortgage to a new mortgage product, a fixed rate until 2 April 2022. The offer said that *"after 2 April 2022, interest will be charged at Santander's Follow-on Rate – a variable rate which will track at 3.25% above the Bank of England official base rate (its base rate)..."*

I am satisfied that the mortgage operated in line with the mortgage offer. The evidence we have supports that Mr T was aware of and had accepted the terms of the new mortgage - and Santander has provided evidence that Mr T accepted the offer electronically. On balance, I consider it more likely than not that Mr T arranged and accepted the offer that Santander has produced. The estate has not produced any evidence that Mr T had agreed something different.

I do not consider Santander has acted unfairly or unreasonably in applying the interest rate it did to the mortgage. I have not seen any evidence that the follow-on rate did not track the Bank of England base rate as set out on the offer.

The executor's responsibility is to wind up the estate. They can't enter into new contracts on behalf of the estate. And it is likely they would need to do that when arranging and agreeing to a new mortgage product. Further, any fixed rate product would likely have an early repayment charge. That would not be appropriate bearing in mind the property was up for sale.

Mortgage debt

Mr T had a contract with Santander to repay the amount borrowed. It is reasonable for Santander to look for his estate to honour what he agreed to and to repay the debt. I don't agree there is any requirement for Santander to prove it owns the debt. The estate has not put forward any persuasive evidence that Santander does not own the debt.

Incorrect information

I agree that Santander should not have asked the representatives of the estate to pay anything personally towards any shortfall. But even if I accept everything that the representatives of Mr T's estate have said about what Santander told them I can't tell Santander to do anything. While I do not doubt the impact of this matter on Mrs T in particular, as I've explained, I can only make an award for any financial loss suffered by the estate. And I can't see that the estate suffered any loss because of what happened.

Arrears interest

It is reasonable and in line with normal practice for a mortgage lender to apply interest to the total balance outstanding. When payments were not made to the mortgage, they were added to the total mortgage balance as arrears. It was reasonable for Santander to apply interest to that amount as it formed part of the total balance outstanding.

I can't see any reason why Santander should have highlighted that it was charging interest on the arrears.

My final decision

My final decision is that I do not uphold this complaint.

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

Ken Rose
Ombudsman