

The complaint

Mr H complains about the way he was treated by Santander UK Plc when he was selling his property to clear his interest only mortgage balance and arrears. Costs related to legal action were added to his mortgage and Mr H asks that these are refunded.

What happened

Mr H had financial difficulties following the Covid-19 pandemic. His mortgage fell into arrears. He told Santander he was selling the property. Mr H says he provided the information that Santander requested. However Santander passed the account to a debt collection agency (which I'll refer to as the DCA).

Mr H says he received numerous letters and legal action was started, with costs added to the mortgage. He says he was passed between Santander and the DCA. Mr H says this caused him severe anxiety. He says there were delays in a redemption statement being issued and it was during this delay that court proceedings were started.

Santander paid £200 for poor service. Our investigator said this was fair.

Mr H didn't agree. He said court proceedings were started as a result of errors and delays by Santander.

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.

Mr H's business and income were affected by the Covid-19 pandemic. He had financial difficulties, and his mental health was affected. I'm sorry for the difficult circumstances Mr H has had to deal with. What I need to do is decide whether Santander treated him unfairly.

Mr H's mortgage was in arrears. He put the property up for sale. He told Santander in late December 2022 that the property had sold at auction and he'd repay the mortgage at the end of January 2023.

From Santander's notes, it looks like it had already started the process to instruct the DCA before Mr H told it the property had sold at auction. Santander's notes in mid-December 2022 say there were six months of arrears totalling more than £1,000, no recent income and expenditure on record and no update on the property sale.

The DCA wrote to Mr H asking him to get in contact. A representative for Mr H spoke to the DCA on 19 January 2023. The representative said the sale of the house had been agreed and would complete within two weeks. The DCA arranged for a redemption statement to be sent to Mr H at the end of January 2023. Mr H says he sent a copy of the memorandum of sale: the DCA said it didn't receive it.

Court proceedings were issued on 2 March 2023 with a hearing booked for 17 April 2023. Santander says this was due to the level of arrears, no arrangement in place and no update

on the sale.

Mr H would like the legal costs (about £1,200) refunded. He says it was unfair for Santander to start action when he'd told it he was selling the property and provided the information it requested. He says the costs were incurred due to Santander's delays in issuing a redemption statement – which he says he and his solicitor requested numerous times. He said this caused them to miss the agreed completion date for the sale of the property.

We asked both parties to provide evidence to demonstrate how any delays in the redemption statement being issued affected the sale of the property or resulted in legal action.

Mr H provided an email from his solicitor dated 16 March 2023. This said they'd emailed about the redemption statement and hadn't heard back and asked Mr H to chase Santander. Mr H said he was unable to provide further evidence regarding requests for a redemption statement or an agreed date for completion. He said the evidence was with his solicitor who'd charge him a fee to provide it.

Santander provided the following:

- A copy of a redemption statement dated 30 January 2023. A copy was sent to Mr H on 31 January 2023. The DCA had asked that this was sent to Mr H. The redemption statement says the mortgage balance was about £55,000 and the outstanding litigation costs were £156. The redemption statement was calculated for redemption on 27 February 2023, but valid for 14 days from the date of issue.
- Its contact notes, which show a request on 7 February 2023 for a redemption statement calculated for that day.
- A copy of a letter from the DCA to Mr H dated 21 February 2023 asking him to get in contact to discuss the arrears and possible house sale. The letter said if no arrangement was in place by the end of February 2023 it might be necessary to start legal action and get a hearing date.
- An email from Mr H's solicitor dated 14 March 2023 confirming they were acting in the sale of the property. Santander's contact notes for 15 March 2023 show a request from Mr H's solicitors for a redemption statement calculated for that day. Its notes for 16 March 2023 show Mr H requested a redemption statement calculated to 24 March 2023.
- A note of a call between Mr H and the DCA on 16 March 2023. Mr H said he'd requested a redemption statement the previous day. The DCA said this can take seven to 10 days. Mr H said he'd sent the memorandum of sale in January 2023. The DCA said this wasn't received and it had written to Mr H in February asking him to get in touch.
- A note of a call between Mr H and the DCA on 17 March 2023. The DCA asked for a copy of the memorandum of sale and said that communications from the solicitor needed to be on headed paper. The DCA said it would request a redemption statement. The DCA told Santander it first received the memorandum of sale on 17 March 2023.
- A note of a second call between Mr H and the DCA on 17 March 2023. Mr H raised a complaint that he'd been given different information on calls, agents had been unhelpful and he'd incurred costs due to legal action being taken.
- An email from the DCA to Santander on 17 March 2023. It said Mr H had asked for a redemption statement with the sale due to complete on 24 March 2023.

- Santander's contact notes show a redemption statement calculated to 24 March 2023 was issued on 20 March 2023.
- A copy of a redemption statement sent to Mr H on 22 March 2023. This was for redemption on 17 April 2023 – the date set for the court hearing. This was requested by the DCA.

The mortgage was repaid on 5 April 2023. Santander cancelled the court hearing.

Santander accepts that it made an error. It didn't respond to a request for a redemption statement on 7 February 2023. But I don't think this is the reason that Santander instructed the DCA in late 2022 or started legal action in early March 2023.

Mr H's mortgage had been in arrears for some time and, since late 2022, the arrears had been increasing. While Mr H says he sent the memorandum of sale to Santander and to the DCA, they both say they didn't receive it. Mr H and his representative told Santander the auction sale would complete by the end of January 2023 – this didn't happen. The DCA asked Mr H to get in contact. Mr H says he received numerous letters. So I think he did receive letters from the DCA asking him to get in contact.

There's no evidence Mr H was in contact with the DCA or Santander between the end of January 2023 and early March 2023 to provide an update on the sale of the property and agree an arrangement.

I don't think it was unreasonable for Santander to proceed with legal action. The property sale hadn't completed by the end of January 2023 and Mr H hadn't been in contact to update Santander. Even if Mr H expected the sale of the property to complete imminently, he could still have contacted Santander or the DCA with an update. This might have avoided Santander starting legal action.

Mr H says the sale of the property was delayed due to Santander not issuing a redemption statement in February 2023. Mr H has told us he finds dealing with this matter upsetting. He doesn't want to pay a fee to his solicitors for them to provide copies of correspondence. This means he can't provide evidence of an agreed completion date or that this was missed due to the delay in issuing a redemption statement.

I'm sorry for the distress this matter has caused to Mr H. But I can't fairly find that completion was delayed without evidence to support this. The earliest that I have evidence of a possible completion date was when Mr H contacted Santander in mid-March 2023 to request a redemption statement calculated to 24 March 2023. This was after Santander had started legal action.

In the circumstances, I don't think it's fair and reasonable to require Santander to refund costs related to the legal action.

In addition to the legal costs (of about £1,200) added to Mr H's mortgage balance, his balance had increased due to payment deferrals during the Covid-19 pandemic. There was unpaid interest of about £2,600. Santander apologised that it hadn't correctly explained why the balance had increased when Mr H called in early April 2023. It paid £200 compensation for its errors and delays.

Mr H lost his business and experienced financial difficulties which meant he was unable to maintain mortgage payments. He had to sell his property. Mr H has told us how distressing he found this. But, in fairness, Santander wasn't responsible for Mr H's financial difficulties.

Santander's errors would have caused inconvenience to Mr H, who had to contact the DCA and Santander to chase for the redemption statement and to understand how his balance had increased. I think it's right that Santander paid compensation for the inconvenience and additional upset this caused. In the circumstances, I think £200 is fair and reasonable.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 September 2024.

Ruth Stevenson
Ombudsman