

The complaint

Mrs N and Mr S complain that Santander UK Plc allowed them to complete a mortgage application and pay for a valuation to be undertaken despite knowing at outset that it would not lend on their property.

What happened

Mrs N and Mr S wished to both remortgage and staircase the amount of equity they owned in their property.

They had approached their original lender in the first instance but had been told their application did not meet its lending criteria as the property was subject to cladding and remedial works had yet to begin.

Mrs N and Mr S say they were aware of other homeowners within their building successfully remortgaging through Santander, so they approached it to ask about a potential application.

Mrs N and Mr S say they told Santander at outset and multiple times throughout their application that their property was impacted by cladding and that works had yet to commence. They say Santander told them this would be fine and said there should not be a problem.

At the valuation stage, the surveyor flagged to Santander that the property was subject to cladding, and it wrote to the property management company to ask four set questions. Once Santander received the answers to those questions, it declined the application as not having met its lending criteria. It told Mrs N and Mr S that the reason for the decline was due to remedial works not having been started but it was also noted internally that Mrs N and Mr S were liable for some of the costs.

Mrs N and Mr S complained. They said they had been upfront with Santander about the status of the cladding from the outset and had relied on its assurances that this would not be a problem in agreeing to proceed. They argue that Santander should've told them upfront that theirs was not an application it would be willing to accept which would have saved them the distress and inconvenience of going through an application that was set to fail from the start.

Santander investigated the complaint but did not uphold it. While it accepted Mrs N and Mr S had informed it that their property was subject to cladding, it maintained that it needed the property management company to answer its questions regarding the cladding and that it would not be able to rely on the information the consumers had provided. Dissatisfied with Santander's response, Mrs N and Mr S referred their complaint to our service.

I issued a provisional decision on this case at the beginning of July. I set out that while I did not think Santander had done anything wrong in allowing Mrs N and Mr S to proceed with their application at the outset, I wasn't satisfied it had treated them fairly following the application's subsequent decline. So, I recommended it pay them £150 in recognition of the distress and inconvenience it had caused.

Santander and Mrs N and Mr S responded to my provisional decision accepting my findings.

As both parties to the complaint have now responded and the deadline to do so has now passed, it is appropriate for me to issue my 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.

I set out the following in my provisional decision:

"It is not in dispute that Mrs N and Mr S notified Santander at outset that their property had cladding and that remedial works were yet to commence – this is captured in early emails, call recordings and call notes.

Had this been the sole reason why the application was declined I may have upheld this case in full. Because while I agree it is reasonable for Santander to want to rely on the information provided by the property management company, it would have known at the outset that the application would have failed to meet its lending criteria and it ought to have shared this with Mrs N and Mr S. But this is not the sole reason the application failed.

Instead, the notes show that the application failed because the property management company said that in addition to the remedial works being yet to commence, Mrs N and Mr S may be liable for the costs of said remedial works. And it was the combined nature of these two elements that led to the application being declined. Not just that works were yet to commence.

Looking at what happened on this case, Mrs N and Mr S told Santander that their property had been subject to a risk assessment of the materials used to make up the external walls of the building, that remedial works would be required but were yet to commence and that they were not liable for any of the costs. These are the answers to the standard four questions Santander asks property management companies when a valuation identifies cladding. It was on this basis that Santander informed Mrs N and Mr S that their application could proceed as there was nothing to indicate at this stage that the application didn't meet its lending criteria.

What was not shared by Mrs N and Mr S before the application proceeded was that they may be liable for some or all of the costs of the remedial works. I understand this is because this wasn't something they thought to be the case, but this was later contradicted by the property management company during the valuation.

To clarify, when the property management company was asked by the surveyor "Will any costs be passed on to the leaseholders?" it responded on 19 May 2022 with "It is estimated that some of the potential glazing costs not eligible for funding may be passed onto Leaseholders..." and went on to give an estimated figure of those costs.

Santander says that whether a consumer is liable to pay toward the remedial works is a relevant factor in its decision to lend. And this discrepancy in information highlights why it does not rely on the information consumers provide it about the status of their cladding and will always revert to the property management company at the point of valuation. As it did not have this information when Mrs N and Mr S first enquired about its policy on cladding, it was unable to let them know in advance that their application may not meet its lending criteria. And as such, it thinks Mrs N and Mr S would always have gone ahead with the application and paid the valuation fee.

Looking at the information Mrs N and Mr S gave Santander about the status of their cladding and any potential liability for costs prior to application stage, I am not persuaded it did anything wrong or in some way treated Mrs N and Mr S unfairly in suggesting they could submit a full application. So, I do not uphold this part of Mrs N and Mr S' complaint.

I do, however, think Santander gave misleading information to Mrs N and Mr S after the application was declined which led to confusion as to the core reason for the decline and is potentially the driving force behind this complaint. I say this because Santander told Mrs N and Mr S that the application had been declined due to works not having been commenced. And when asked specifically whether there was any other reason for the decline by Mrs N, the call handler said no.

In contrast the internal notes at the time and Santander's submissions to us show that the application was declined due to the combination of both the remedial works being yet to start and Mrs N and Mr S being listed as potentially liable for notable costs to cover the works.

Had Santander told Mrs N and Mr S this at the point the application was declined, they would have been free to go back to their property management company to query the information it had provided on the costs if they thought this was incorrect. And it would not have led Mrs N and Mr S feeling as though, despite telling Santander everything at outset, it had misled them into pursuing the application.

Given the information provided by the call handlers was misleading post valuation and slightly at odds with its lending criteria, I do think Santander has caused Mrs N and Mr S avoidable distress and inconvenience in this case. In not providing Mrs N and Mr S with the accurate information as to why their application had failed, despite having the means to do so, this error has led to Mrs N and Mr S embarking upon extended queries to their property management company to no avail and believing that Santander knowingly wasted their time.

Taking this into account and bearing in mind our usual approach to awarding compensation of this nature, I think Santander should pay Mrs N and Mr S £150 to recognise the distress and inconvenience its miscommunication caused them."

The findings set out in my provisional decision and copied above form part of this final decision. And given that both parties agree with my conclusions and Mrs N and Mr S are willing to accept my direction that Santander pay them £150 to resolve this complaint. I see no reason to depart from my provisional findings. So, it follows that I uphold this complaint in part and direct Santander to pay Mrs N and Mr S £150 to recognise the avoidable distress and inconvenience it caused them.

My final decision

For the reasons detailed in this decision, I uphold this complaint in part and direct Santander UK Plc to compensate Mrs N and Mr S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr S to accept or reject my decision before 28 August 2024.

Lucy Wilson
Ombudsman