

## **The complaint**

Mr and Mrs V complain that Santander UK Plc declined their applications to extend the terms and arrange new products on their buy-to-let mortgages in 2021 – but approved similar applications in 2023.

## **What happened**

In 2015, Mr and Mrs V took out five buy-to-let mortgages with Santander. Each mortgage's term ended in 2022.

In July 2021, Mr and Mrs V applied to Santander to extend the term of three mortgages and arrange new interest rate products. They said that Santander asked them for a considerable amount of personal information from them – and the requests were made one by one, which slowed the process. But in August 2021, Santander declined their applications and their appeal against the initial decision.

Mr and Mrs V complained about Santander's decision to decline their applications and its handling of them. Santander issued its final response to that complaint on 22 September 2021.

In September 2021, I understand Mr and Mrs V's mortgage reverted to Santander's follow-on rate – a variable interest rate. As a result, they said their payments doubled and that by July 2023 they were paying over 8%. Because the terms of the mortgages had ended in 2022, Mr and Mrs V said they were required to speak to Santander each month. They said they tried to enter into discussions with Santander to arrange a new fixed rate but they were either given the wrong information or passed around different people.

In February 2023, Mr and Mrs V asked about a term extension and arranging new rates, but Santander said it couldn't help them.

In July 2023, Mr and Mrs V asked again about extending the mortgage terms of three mortgages and Santander approved the applications – extending the terms of the mortgages by ten years and agreeing two-year fixed rates of 5.74%. Mr and Mrs V said the process was very simple and they were not asked for any information like they were in 2021.

Mr and Mrs V complain about the decision to decline their applications in 2021. They said the decision had been mentally and financially debilitating for them. They said that between September 2021 and July 2023 they had the uncertainty of whether Santander would repossess the properties. The rent for the properties was not enough to cover the mortgages and they had to use their savings to make up the difference. Mr and Mrs V said they tried a number of times to extend the term and arrange a new rate, but Santander dealt with their requests poorly.

Mr and Mrs V want Santander to compensate them for the increase in interest rates between September 2021 and August 2023, bearing in mind they could have fixed a lower rate in 2021 for five years. They also want compensation for the distress and inconvenience the service from Santander has caused to them.

I issued a decision saying that we could not consider a complaint about the lending decision in 2021 because it was referred to us outside our time limits. Mr and Mrs V responded to say that they believed there were exceptional circumstances that prevented them referring the complaint in time.

The investigator did not think the complaint should be upheld. He thought Santander's offer of £250 for poor service was fair. Mr and Mrs V did not accept what the investigator said.

When I reviewed the file, I did not consider that Santander had adequately explained why the February 2023 application was declined bearing in mind the July 2023 application was successful shortly afterwards. Santander agreed to offer the equivalent rate that was available in February 2023 of 5.34% and to backdate it. Any overpayments of interest would be refunded with interest at 8%. Santander also agreed to pay an additional £150 for any distress and inconvenience. Mr and Mrs V did not accept the proposed offer.

### **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 know the very significant impact this matter has had on Mr and Mrs V. I have thought very carefully about what is fair and reasonable in the circumstances of this complaint. I agree that Santander has not always handled things well and that it could have done more to communicate with Mr and Mrs V. But I can't look at the September 2021 decision to decline the applications. And while I accept that it did not treat them fairly in the February 2023 application, I don't consider that the decisions that I can look at were reached unfairly or unreasonably – bearing in mind that Santander has a wide discretion to decide who it lends to and on what terms.

### Jurisdiction

I'm afraid having considered her points I am not persuaded to change my decision on the time limits and in particular whether the failure to comply with the time limits was as a result of exceptional circumstances.

Mrs V said Mr V only spoke to Santander three times. She highlighted how debilitating Mr V's health issues are for both of them. She also said it was misleading to say she took over managing their financial affairs. While following the January 2022 phone call she did look to see if other lenders would give them a mortgage, that was not on a daily basis.

I am sorry to hear what Mr and Mrs V have been through. I don't doubt anything they've said. But we have evidence that Mr V was able to contact Santander during the time in question. And Mrs V has told us she was able to explore other mortgage solutions and manage day to day financial business. In view of that, I could not find that their circumstances, while very difficult, prevented them referring the complaint to us within the time limits.

### Merits

The starting point here is that when Santander entered into the contracts with Mr and Mrs V in 2015 – and in the product transfers in 2019 – they agreed to repay the mortgages in 2021. There was nothing in those offers which said that Santander would agree to extend the term of the mortgages or created any obligation for it to do so.

I agree with much of what Mr and Mrs V have said about what lenders might *usually* require to approve changes to a buy-to-let mortgage. But it does not follow that will always be the case. Ultimately it is for the lender to decide what checks it considers appropriate and what degree of risk it is prepared to accept. That is likely to vary over time depending on its appetite for risk and the wider economic background. It is not for me to interfere in that, but I can consider whether it exercised its discretion fairly.

I can't look at the 2021 lending decision – that includes the decision itself and how Santander reached that decision. It was for Santander to decide what information it needed to consider applications and to decide whether to lend or not. It would not necessarily have been unreasonable for Santander to consider Mr and Mrs V's wider financial circumstances in deciding whether to grant term extensions bearing in mind the economic climate and Mr and Mrs V's total exposure to Santander.

I note that the application came soon after the final Covid 19 restrictions had been lifted. The pandemic would likely have impacted landlords in several ways. While Mr and Mrs V might consider that they had some protection from the impact of the pandemic, it was reasonable for Santander to take its own view about the risks it presented. So I could see why a lender might take a more cautious approach than it might have in the past – and ultimately that is a decision for Santander to take about its appetite for risk. And I note the bounce back loan taken by a company linked to Mr and Mrs V was a consideration for Santander in 2021. It was reasonable for Santander to take that into account.

Santander has explained that between 2021 and 2023 there were changes including the "end of" Covid, a change in the economic climate and changes to its lending policy. That sounds like a reasonable explanation why it could reach different decisions based on the same information and/or why it did not need to consider the applications in the same level of detail in 2023 as it did in 2021/22. That does not mean that it considered either application unfairly or is being inconsistent. And in my experience, it is not out of line with some other lenders at the time in question.

I can consider whether Santander acted fairly and reasonably between the applications being declined in September 2021 and approved in 2023. I have thought about whether Santander should have stepped in and offered to consider term extensions or alternative support at an earlier stage.

After looking at the contact that Mr and Mrs V had with Santander, I agree with the investigator that I don't consider there was an earlier point where Santander should have offered to consider applications from Mr and Mrs V for a term extension.

In January 2022, Mr and Mrs V spoke to Santander. I have thought carefully about what Mr and Mrs V have said. I consider that Santander stood by the decision it made in September 2021. Based on the evidence I have it is likely its position and attitude to risk was the same in January 2022 as it was in August 2021. The evidence I have does not support that it was only the rental stream and the tenancy agreement that Santander was concerned about. It was a combination of factors including their total liabilities (not just with Santander), their income, the position of the limited company and the bounce back loan.

I am not persuaded that Santander made an error in January 2022 or that it acted unfairly in making the decision to decline the applications.

In December 2022, Mr and Mrs V spoke to Santander and it initially gave them incorrect information about the maximum age – but was challenged on that by Mrs V and offered to check. Looking at all the information I have about that phone call, I don't consider that

Santander prevented Mr and Mrs V from making an application or led them to believe that such an application would have had no prospect of success.

In the regular updates with Santander, I don't consider it would be reasonable to say that Santander should have reviewed Mr and Mrs V's circumstances and offered to look at new applications from them – that was not the purpose of the calls and it was for Mr and Mrs V to initiate an application if they wished.

I accept however, that Santander has not been able to provide a reasonable explanation why the applications were declined in February 2023 but then approved in July 2023. Mr and Mrs V's circumstances were the same – and by that point Santander's policy allowed the applications to proceed. I would note again it does not follow that the earlier decision were flawed.

Santander has accepted my proposal to backdate the mortgages to a fixed rate available in February 2023 of 5.34%, fixed until 2 May 2025. It will refund any overpayments at 8% simple from the date of each overpayment to date of settlement. It has also agreed to pay Mr and Mrs V £150 for the distress and inconvenience caused by declining the February applications. I think that is fair.

That is in addition to the £250 Santander has already offered. I consider that is a fair offer to reflect several instances of poor service.

### **My final decision**

My final decision is that Santander UK Plc should:

1. Switch Mr and Mrs V's buy-to-let mortgages to the fixed rate of 5.34% until 2 May 2025.
2. Calculate how much Mr and Mrs V would have paid had the mortgage been on the above rate from the earliest date possible after their February 2023 application.
3. Pay Mr and Mrs V the difference between the amount in (2) and what they actually paid to the mortgage.
4. Pay Mr and Mrs V interest on the amount in (3) from the date of each payment and date of settlement.
5. Pay Mr and Mrs V £400.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 15 November 2024.

Ken Rose  
**Ombudsman**