

The complaint

Mr and Mrs C complain that Santander UK Plc declined their mortgage application. They say this was unfair. They're also unhappy about the time taken by Santander to review their application, the number of searches it carried out and its response to their subject access request.

What happened

Mr and Mrs C had a mortgage with Santander. The mortgage fell into arrears in 2018. They sold the property intending to downsize with a smaller mortgage. The sale completed in December 2023.

In October 2023 Mr and Mrs C applied to Santander for a new mortgage. This was for a lower amount than their previous mortgage (£350,000 rather than £825,000). Mr and Mrs C say this was affordable. They wanted to complete within four weeks.

Santander declined to lend, saying this was due to Mr and Mrs C's adverse credit history.

Santander said it had caused a delay in reviewing Mr and Mrs C's application. It said it didn't initially explain adequately what evidence it needed about Mr and Mrs C's potential liability for a shortfall debt after their buy to let property was re-possessed. Santander offered £250 as a goodwill gesture (which Mr and Mrs C didn't accept). Santander agreed to remove two searches from Mr and Mrs C's credit files and re-issued the response to their subject access request.

Our investigator said Santander was entitled to apply its lending criteria and had done so fairly.

Mr and Mrs C didn't agree and asked that an ombudsman re-consider the matter.

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 and Mrs C previously raised complaints that Santander didn't offer a lower interest rate, didn't agree to port the mortgage, and wrongly recorded arrears. We told Mr and Mrs C that we can't look into these complaints. That's because they brought these complaints to us more than six months after Santander sent its final response. These complaints were brought to us outside our time limits.

What I'm considering here is Mr and Mrs C's complaint about Santander declining their mortgage application in late 2023, the time it took to review the application and the number of searches it carried out, and the response to their subject access request.

Santander is entitled to make a commercial decision about its lending criteria. It initially declined Mr and Mrs C's application due to their credit history and told Mr and Mrs C this in late October 2023. Mr and Mrs C asked Santander to re-consider the matter, given they

were applying for a smaller mortgage to improve their position.

Santander agreed to re-consider Mr and Mrs C's application on the basis they provide further information and evidence. I think this was fair. I think it was fair and reasonable for Santander to ask for further information and evidence to assist it in making a lending decision. I think Mr and Mrs C would have been reasonably aware of the possibility that Santander might still decline to lend.

Mr and Mrs C wanted to complete within four weeks. Santander says the usual timescale to review a mortgage application is longer than this. And here, Santander had made a lending decision (to decline the application) and agreed to re-consider it on the basis that further information and evidence was provided. I appreciate Mr and Mrs C's frustration. But I don't think it's fair to find that Santander made an error or was unreasonable in not meeting Mr and Mrs C's preferred timescale.

Santander accepts it did cause a delay. It says it wasn't sufficiently clear about the evidence it needed that Mr and Mrs C were not (as they said) liable for a shortfall debt related to their buy to let property after it was re-possessed. But I don't think this had a substantial impact on the outcome. When Santander clarified what was required in December 2023, Mrs C said it might take a while for her to get the document. A note in Santander's records in February 2024 said it was waiting for Mr and Mrs C's response.

Perhaps Mr and Mrs C decided not to proceed with the application. It's also possible that they were unable to provide the evidence requested by Santander. Either way, Santander didn't receive the documents it needed in order to proceed with the application. In the circumstances, I can't fairly find that Santander made an error when it didn't issue a mortgage offer to Mr and Mrs C in late 2023 or early 2024.

Santander carried out four credit file searches related to Mr and Mrs C's mortgage application. It agreed to remove two searches from Mr and Mrs C's credit records. It said the other searches were necessary for the application to proceed.

Santander re-issued its response to Mr and Mrs C's subject access request. If Mr and Mrs C have any further concerns about this, they can consider contacting ICO.

While I don't think the delay caused by Santander had a significant impact on the outcome of Mr and Mrs C's mortgage application, it likely caused them inconvenience. This was at a time when Mr and Mrs C were dealing with the sale of their property – which they say was necessary to avoid it being taken into possession. They were hoping to buy a property, but had limited options regarding a mortgage due to their credit history. This must have been a stressful time and Santander's error would have added to Mr and Mrs C's upset. I think Santander's offer of £250 for this is fair and reasonable in the circumstances.

Mrs C said they intend to take the matter to court. If Mr and Mrs C don't accept my decision, they will be free to raise the matter in court if they want to do so.

My final decision

My decision is that Santander UK Plc should pay £250 to Mr and Mrs C as it offered to do (unless of course it has already made the payment).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 8 October 2024.

Ruth Stevenson
Ombudsman