

The complaint

Mr and Mrs T complain about what happened when they asked Santander UK Plc to provide a new five year fixed interest rate, and provide a capital repayment sum, so their mortgage would be repaid at the same time as the fixed interest rate ended.

What happened

Mr T spoke to Santander in July 2023, before their previous fixed interest rate ended in October 2023. Mr and Mrs T said that after speaking to the advisor, they decided to take out a further five year fixed term, and make a lump sum payment to reduce their mortgage, so it would be cleared at the same time that the fixed rate ends. Mr T was told that he and Mrs T would need to make a payment of £19,500, and their remaining mortgage would then be paid off after five years.

Mr and Mrs T said they made this payment, and accepted the fixed rate they were offered. But they said they'd later scrutinised the documents they received more closely, and found out they would have four months left at the end of the fixed term, when they would need to pay their mortgage on the standard variable rate.

Mr and Mrs T said they are currently on a fixed income, and they wanted the security of knowing what their outgoings would be. They said Santander's mistake had caused them a lot of stress and anxiety. Mr and Mrs T wanted Santander to extend the term of their existing fixed rate, to five years and four months, so they could pay off the mortgage within the lifetime of the fixed rate, and avoid the standard variable rate in future. They also wanted Santander to waive a fee of £225 which is due when their mortgage ends.

Santander said it accepted it had made an error, because its agent didn't consistently say, when talking to Mr T, that the mortgage would run for a further five years four months. Although he did mention this, at a number of points he also said the rate would expire at the same time the mortgage ended. He also suggested the amount of the lump sum that Mr and Mrs T then paid. So Santander said it had got something wrong. Although the paperwork it then issued was correct, that was different to what was discussed.

Santander paid Mr and Mrs T £150 to say sorry for that. It has also offered to allow Mr and Mrs T to make a further overpayment, to add to the overpayment they made in July 2023, if they wished to do that.

Our investigator didn't think this complaint should be upheld at first. He thought Santander's offer was fair.

Mrs T replied to say that if Santander had given them the right information in July 2023, they would have made a larger payment, and they had the funds then. But they said that by the time they discovered the issue, they were no longer able to make that payment.

Mrs T said that she and Mr T didn't want to worry about the rate they might be charged at the end of their current fixed rate period. Although our investigator explained their final payments would be almost all capital rather than interest, they said the issue was they would

still have four months at the end of the fixed interest rate.

Mrs T said she and Mr T only wanted the fixed interest rate to be extended for four months, and a fee of £225 to be waived. They didn't think that was much to ask for.

Santander sent our service recordings of the call where Mr and Mrs T's new fixed interest rate was discussed, and of the call Santander made to them about their complaint.

Our investigator asked Mr and Mrs T if they would show us that their financial situation had changed, so they could no longer make the lump sum payment they'd previously said they would have made, if they'd been properly advised. Mrs T said she didn't feel they should have to share more private information, and that they now need their additional funds for day to day living expenses.

Our investigator then said he thought Santander should now pay a little more compensation. He said Santander had accepted it gave unclear information, and Mr and Mrs T had acted on that. They did have enough money to have brought down their mortgage further, if they'd been given the right amount for a lump sum payment in July 2023, but it wasn't possible to simply offer them the opportunity to make that payment now, as they said they could no longer spare these funds. And that means we can't put Mr and Mrs T in the exact position they would've been in had the error not occurred.

Given Mr and Mrs T's circumstances at the time they discovered Santander's mistake, our investigator thought this would have had a bigger impact on them than Santander had appreciated, and he asked it to increase its total award to £300. So Santander would need to pay Mr and Mrs T £150 now.

Our investigator then sought to respond to Mr and Mrs T's concerns about the rate they would be on for the remaining few months of their term, once the fixed rate ended. He explained why Mr and Mrs T would actually see very little impact from any variable interest rate during those months.

Santander accepted this outcome, but Mr and Mrs T didn't. They still wanted what they'd asked for at the start. Mr and Mrs T wanted this complaint to be considered by an ombudsman, so it was passed to me for a 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've reached the same overall conclusion on this complaint as our investigator.

I've listened to the call that Mr T had with Santander. I do think the information given on this call was unclear. The agent did say at one point that Mr T's mortgage would be paid off once his five year fixed rate finished, but then later said that the term of the mortgage would continue for five years and four months.

We know that Santander then followed this up in writing. The first page of that offer letter says *"Its very important that you read all of the information provided."* And that offer then makes clear that the fixed rate runs until October 2028, and the remaining term is longer than this. So I do think it was clear from the offer that Santander issued, that Mr and Mrs T would not finish paying off their mortgage at the same time as their fixed rate ended.

That doesn't mean that Santander didn't provide poor service on the call on 20 July 2023. I

think it did. But I have to bear in mind that Mr and Mrs T did receive documentation which could have shown them a mistake had been made, before entering into this deal.

I also note Mr and Mrs T's argument that if Santander hadn't misadvised them on the call on 20 July, they would have been given a higher figure to pay off as a lump sum, so they could bring their mortgage to an end when their fixed rate ended. They said they would then have made a larger payment, and they've shown us they had this money at the time.

I know Santander previously offered to accept an overpayment now, if Mr and Mrs T still wanted to make that. They were also making small overpayments each month, up until June 2024, which will already have reduced the number of months I'd anticipate this mortgage would continue after their fixed rate ends. But they said they could no longer afford these modest overpayments, for personal reasons which I won't set out here.

Mr and Mrs T have said they now need those savings to meet their day to day cost of living. And again, that doesn't mean Santander didn't make a mistake in this case. I think it did. But I have to consider all the circumstances of the case, and that means I also have to bear in mind that if things had gone as Mr and Mrs T had hoped on the call on 20 July 2023, and they had made a larger lump sum payment, that would have meant they would have less money to hand now, which they've told us they currently need.

Having weighed up all the circumstances of this complaint, I don't think the only fair and reasonable outcome here would be for Santander to do as Mr and Mrs T have asked. They wanted Santander to waive a final fee on this mortgage, and extend their fixed rate by four months, but there's no way to tell now if extending the fixed rate in future would make Mr and Mrs T better off or not. And I think it would be preferable to resolve this case now, by the payment of compensation right away, rather than to ask Santander to make changes and waive a charge that it would only apply some years into the future.

I understand that Mr and Mrs T may be disappointed by my decision, but I do think that a total compensation payment of £300 here does provide a fair and reasonable outcome to this complaint. I understand Santander has paid £150 already, so I'll ask it to make a further payment of £150 now.

My final decision

My final decision is that Santander UK Plc must pay Mr and Mrs T £150 now, in addition to the payment of £150 that it has already made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 6 November 2024.

Esther Absalom-Gough

Ombudsman