

The complaint

Mr M complains that Santander UK Plc has changed how his mortgage is administered, without notice. Mr M also complains about mistakes made, including about his monthly payment, when these changes happened.

What happened

Mr M said that on 27 October 2023 he got a letter from Santander saying his new mortgage was approved. But Mr M hadn't applied for a new Santander mortgage, rather he had a longstanding mortgage with a lender whose mortgages had changed some time ago to being managed by Santander. Mr M said he checked online banking, and found his existing mortgage was no longer visible.

Mr M said he rang Santander on 28 October and it said his old mortgage had recently moved across to its systems. Mr M wasn't happy with how Santander had communicated this. He said he wanted reassurance that all the terms and conditions had moved over, including that his mortgage would remain on a tracker rate for the whole term. He said Santander told him the same terms would apply, but he asked for this in writing, and didn't get it. He also wanted a paper statement from before the transfer, and he said he didn't receive that either.

Mr M said Santander told him that his transferred mortgage had incorrectly been set up with a new online banking profile, and would need to be moved to his existing profile. But when this was done, his mortgage still wasn't visible in the app, it could only be viewed online.

Mr M said the mortgage payment Santander collected for November was wrong, as it was considerably short of the usual overpayment amount. And he said that on 23 November he got a letter saying that Santander had removed all payments from his account. He said Santander then wrote again on 24 November, saying that it was sorry, and offering £100, which Mr M said was derisory.

Mr M said Santander then confirmed it would reinstate his previous overpayment, so he would pay £1,000 each month for his mortgage, but what it actually took for the next two months, December and January, was his monthly payment plus £1,000, not £1,000 in total. He said it took until February to get this sorted out.

Mr M also said Santander had made what he felt was an important change to his terms. When he made an overpayment to the previous mortgage, this came directly off his balance, but the new Santander mortgage put that overpayment into some kind of savings account which he couldn't see, either on the statement or online. So he said his mortgage balance wasn't going down, and that had left him very worried.

Mr M was very unhappy with all the mistakes that Santander had made. And he said its communications had been appalling. He wanted his overpayments to be treated the same way they were before. He wanted the statements Santander had promised him. And he wanted more compensation than Santander had offered. He said that didn't make up for the time he'd spent trying to resolve all the problems here.

When Mr M complained to Santander, it wrote to him to say it was sorry about how the transfer of his mortgage had been done. It said he was on the same type of mortgage. It apologised for not continuing his previous overpayment, and said it had asked for his old statements to be sent to him. It was sorry about the mix-up with telling him that he had a new mortgage. Santander explained that happened because it had wrongly created an extra profile for Mr M. It would need a few days to put that right, but Santander said it was working on this. And it offered Mr M a payment of £100 to say sorry.

When this case came to our service, Santander said it had warned Mr M about the upcoming changes to his mortgage earlier in 2023, and those letters included reassurances that his terms and conditions hadn't changed. It said it had moved Mr M's mortgage onto its own systems now, but it had mirrored the product he held before, so he would be no worse off. Santander said it had given Mr M a flexible mortgage, which did include a savings pot. It said that wasn't a separate savings account, it was just a place for overpayments to sit, while they were offset against the capital Mr M owed. It said an explanation of this had been sent to Mr M, and it showed our service this document.

Santander said it had paid Mr M £100 for what had gone wrong here, and it thought that was fair compensation.

Our investigator thought this complaint should be upheld. He said Santander had notified Mr M of the upcoming changes, but he felt more could have been done. He said Santander's communications to Mr M from October onwards didn't deal with Mr M's concerns. And there were then problems with Mr M's overpayments. So he said Santander needed to discuss that with Mr M, and determine how best to allocate overpayments, and allow him to make an overpayment for November if he hadn't done so. And our investigator said Santander should also pay Mr M £250 in compensation.

Santander replied to say it was happy to agree with this. It said Mr M had already confirmed how he wanted his overpayments to be treated, and it was moving the money he overpaid each month from his savings pot, to reduce the capital balance. Santander said that would make no difference to the interest Mr M was charged, but it would mean he could see a reduction in his capital balance. Treating his payments in this way also reduces his contractual monthly payment, but Mr M had opted to pay a fixed amount of £1,000 each month.

Santander said it was happy to talk to Mr M about his flexible mortgage, if he wanted.

Mr M didn't agree. He said that this didn't reflect all the challenges he had faced on this mortgage, so he wanted an ombudsman to consider his complaint. He said this had been very stressful, affecting his mental health, as he was worried about where he stood with the mortgage. And he said he still hadn't received the missing statements since the account changed.

Because no agreement was reached, this case came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

It appears from Santander's most recent response as if things have now moved on

somewhat. However, some issues do still seem to me to be outstanding. In the light of that, although I have reached a very similar conclusion to our investigator, I've done that for different reasons. And that means this decision will be provisional, so I'll give both sides a chance to comment before I make a final decision.

I think the most important point here, is that the changes which have caused Mr M concern were not made with no notice to Mr M. Santander has told our service that it wrote to Mr M and all other customers with his mortgage type early in 2023, to say it would be making changes to how they could manage their account over the next nine months.

The letter Santander sent to Mr M in the first half of 2023 confirmed that his account would remain subject to the original terms and conditions. And it also set out that the mortgage balance, term, method of repayment and interest rate would stay the same.

Santander's letter did set out that there were some changes coming to Mr M's mortgage. It said Mr M's mortgage interest would be calculated daily and charged monthly. The letter explained that if customers were making overpayments (which Mr M was) then this would mean he would benefit from those overpayments immediately.

Santander said it had decided it would no longer support the old lender's online system, and it moved all the remaining customers over to its system. It said that in doing this, it moved customers to its flexible mortgage option. That means customers have a notional savings account, a "pot" where any overpayments go. But that isn't a separate account, it's just a way to offset the overpayment balance against the capital.

Although Mr M's mortgage overpayments previously were shown as a reduction to the capital balance, that's only a difference in terms of the information presented to Mr M. But Mr M has asked Santander to make sure his payments come off his balance directly, and Santander tells us it has actioned this change for him.

If Mr M remains unhappy because he considers that Santander has wrongly changed the underlying terms of his mortgage as part of this move onto its online systems, then he would need to give Santander a chance to consider that complaint, before he asked our service to look into that for him. (I won't reach any decision on that, instead I will leave it open to a future ombudsman to reach a conclusion on this point.)

Santander said it had paid Mr M £100 for his experiences and the calls he'd made. Santander didn't think it should have to pay any more.

I don't think Santander had to continue to operate the old systems that Mr M was familiar with. And I can see that Santander gave Mr M considerable notice of the upcoming changes.

But I do think Santander has made some mistakes here. It is apparent that Mr M hadn't expected the changes which happened to his account. And it's unhelpful that Santander wrote to him telling him he had a new mortgage with it, when he has held the same mortgage for very many years now.

I don't think it's Santander's fault if Mr M had missed the earlier letters Santander had issued, telling him about upcoming changes. But I do think it would have been helpful if Santander had resent to Mr M the letters it had issued previously, which contained the reassurances that he wanted, when he complained in October 2023, or shared the content of those letters with him again. However, the issues that Mr M has raised do seem to me to have been covered in Santander's subsequent correspondence, or

indeed in the letters he's received from our service since, so I won't ask Santander to resend these now.

Mr M complained specifically that Santander hadn't confirmed, when it replied to his complaint, that his mortgage remained on a lifetime tracker. But I can see that Santander's letter said this –

I can confirm that you are on the same type of mortgage which is a flexible mortgage on a lifetime tracker at 0.99% above the Bank Of England rate so you are currently on 6.24%.

So I think Santander has confirmed that Mr M remains on a lifetime tracker, and the rate this tracker is set at.

Santander has understood that Mr M wanted paper statements to be issued for this account, going forward, and it tells us it has now arranged this. It also understood Mr M wanted paper statements for his old account, and I can see that Santander said it would send these out. Mr M now says some paper statements are missing. It may be that these are for the period between when his old account closed, and when Santander started sending paper statements for his new account. I am sure that if Mr M specifies to Santander which statements are missing, it will provide those for him. I think Santander should be given the opportunity to do this.

I can also see that Santander made mistakes over Mr M's monthly payment. At first, it didn't take the full amount he had been paying each month. Mr M told it about this mistake, and I think Santander's internal notes are clear that Mr M wanted to pay a total of £1,000 per month. But Santander then started to take £1,000 per month on top of his monthly payment, for a couple of months. I can understand why this has worried Mr M, and shaken his faith in Santander.

I don't agree with our investigator that Mr M must be given the opportunity now to make an overpayment for November. That's both because Mr M is free to make overpayments to this mortgage at any time but doesn't appear to me to have sought to make up this missed payment, and also because Santander took a larger overpayment than Mr M had intended, both for December and January. So I don't think Mr M has missed out on an opportunity to reduce his mortgage.

However, I do think that Mr M has experienced considerable frustration here. That's partly because he wasn't expecting these changes, which doesn't seem to me to be Santander's fault. But it's also because Santander then didn't explain things to Mr M again, and because Santander made mistakes when the changes happened.

So I do think that Santander has caused considerable inconvenience here, and also that it's failed to provide reassurances that would have avoided some of these problems. For those reasons, I will ask Santander to pay Mr M £250 now, in addition to the payment of £100 it has already offered.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Santander agreed with the outcome, and said it had nothing to add. Mr M said he was happy to accept the payment, but he wanted our service to ensure that Santander provided the missing statements, and made it clear in a joint statement that overpayments had reduced the balance each month rather than going into the “savings pot”.

As I said in my provisional decision, I think Mr M ought to ask Santander in the first instance for copies of the statements which he says remain outstanding. This decision doesn't prevent him from complaining again, if Santander doesn't supply those, however, I expect it will do so once it's clear on what Mr M needs.

I also don't think it's appropriate for me to tell Santander how to set out the statements it sends to Mr M. If those statements don't include information Mr M needs, he can ask Santander for that specifically, and again, I think it's likely that Santander will then supply this. But he wouldn't be prevented by my decision above from complaining about that too, if Santander doesn't do so.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Santander UK Plc must pay Mr M £250 in compensation, in addition to the sum of £100 which it previously offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 November 2024.

Esther Absalom-Gough

Ombudsman