

The complaint

Mr and Mrs J complain that Santander UK Plc is charging interest on the arrears on their mortgage as they said it had previously promised not to do. They also complain they weren't given a formal letter offering a better rate of interest that Santander suggested.

What happened

Mr and Mrs J said that they only recently became aware that they were being charged overdue interest on the arrears on their mortgage and that Santander was now charging £100 per month and starting legal proceedings over their mortgage. Mr and Mrs J complained, and Santander said that it was charging that overdue interest in line with the mortgage terms and conditions. It sent Mr and Mrs J a number of final response letters in response to the complaints on 6 September 2023, 17 October 2023 and 11 April 2024. The last letter again said that Santander had charged interest on the arrears under the terms of the mortgage and that it had no evidence that it told Mr and Mrs J that no further charges would be applied.

Mr and Mrs J also complain that they had a call with Santander in March 2024 where Santander enquired if they wanted a lower rate on their mortgage. Mr and Mrs J asked the information to be put in writing to them so they could make an informed decision but say that Santander told them that the information would only be sent out if they agreed a new rate and asked them to complete a new income/expenditure form but didn't send out the form

On 11 April 2024, Mr and Mrs W called Santander about the mortgage payment bouncing back. Mr and Mrs J raised a complaint and on 11 April 2024 Santander issued a response which referred to the retention rate that was discussed and that they couldn't send an offer for this rate, but the financial support team could put them on this rate if they wanted it and there would be no tie-in or arrangement fee and that it was still available for them.

Mr and Mrs J then brought these complaints to us. An Ombudsman decided that because of the rules that apply to us we could not consider parts of these complaints but could consider:

- Whether Santander should have charged interest on the arrears on the mortgage after 17 October 2023 after saying – as Mr and Mrs J say - it wouldn't do so?
- Should Santander have provided a formal offer for the lower interest retention rate it offered to move the mortgage onto?

Our investigator looked at these complaints and his view was that Santander had done nothing wrong and didn't recommend that these complaints should be upheld. Mr and Mrs J disagreed and asked for a review.

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'm sorry to read on this file about the stress that Mr and Mrs J are under. The first complaint I can consider relates to whether it was fair for Santander to charge interest on the arrears after 17 October 2023. It's common for lenders to charge interest on arrears. Mr and Mrs J agreed to repay this loan to Santander by regular payments and Santander can charge interest if payments are missed. Santander's right to charge it is included in its terms and conditions which says that it "*will charge interest each day on the capital and any arrears owing at the end of that day.*"

Further in its final response letter of 17 October 2023, which is at the beginning of the relevant period for this complaint, Santander says "*The interest charged on the arrears is valid and is detailed within the terms and conditions of the mortgage account.*" So, for the period relevant to this account I'm clear that Santander was entitled to charge interest on the arrears and gave no indication that it would waive that interest. Mr and Mrs J say that they were told in phone calls that no charges would be applied but as regards the period in question, it's clear from the correspondence that Santander would be applying the interest to the arrears. So, I can't fairly uphold that part of the complaint.

The second complaint relates to a lower interest rate offer – the retention rate - that came from Santander, but that Santander wouldn't put in writing unless they accepted it. This offer came from the financial support part of Santander who assist customers experiencing financial difficulties. Santander says that it cannot send an offer for the retention rate. If Mr and Mrs J wanted it, the financial support team would put them on that rate, and they would receive a letter with their new monthly payments. Santander says that as the retention rate is lower than their current rate with no tie in period and no arrangement fee there is no financial detriment to them. Santander says they can come out of the rate at any time and go back on the higher rate if that is what they wanted to do.

Although Mr and Mrs J might have preferred the offer in writing it's not how Santander is administering this rate. Mr and Mrs J would have liked a letter so that they could consider the proposal. Although Santander was unwilling to provide a letter, it was willing to discuss the rate and I imagine that Mr and Mrs J could have sat down afterwards and considered the offer and sought more clarification from Santander if they required any. Furthermore, I note that in its letter of 11 April 2024 Santander does set out in writing that there is no tie-in period, no arrangement fee and that they could out of the rate and go onto the higher rate they are paying at any time. So those elements of the offer are set out in writing for their consideration. I see no detriment to Mr and Mrs J in the way this rate was communicated to them, the rate is lower than they are currently paying, and they can come out of the rate at any time. So, I can't fairly uphold this part of the complaint.

My final decision

My decision is that I do not uphold his complaint.

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

Gerard McManus
Ombudsman