

The complaint

Miss R complains that Santander UK Plc unfairly declined her application to port her mortgage. She had to pay an early repayment charge (ERC) when she repaid the mortgage and lost the benefit of the low interest rate. A family member, who I'll refer to as Mr C, has represented Miss R in bringing this complaint.

Miss R would like Santander to port her mortgage. If that's not possible she asks that Santander refunds the ERC and compensates her for losing the low interest rate.

What happened

Miss R had a mortgage with Santander for some years. She had a fixed interest rate product which was due to expire in 2026. One of the terms of the product was that an ERC was payable if the mortgage was repaid during the product term. The ERC could be waived or refunded if the product was ported to a new mortgage.

Miss R wanted to move home and, in December 2023, she contacted Santander about making a porting application. Miss R says she'd ported her mortgage previously and didn't expect it to be a problem.

Miss R was buying a new build property. This wasn't ready when she sold her property and repaid the mortgage. Miss R says Santander had told her it had approved her porting application, with only the valuation left to do.

Santander declined Miss R's application. Miss R says she had to borrow from family to buy the property and needs to pay them back. She's lost the ERC and the benefit of the low interest rate. Miss R says Santander didn't explain what the problem was, so she didn't have a chance to put it right.

Our investigator said there's no guarantee that a lender will offer a mortgage until it completes its checks and issues a mortgage offer. She said Santander declined the application in accordance with its lending policy and didn't act unreasonably.

Mr C didn't agree. He said Miss R already had a mortgage with Santander and had always maintained payments. He said she was told the mortgage offer was a formality and she wouldn't have gone ahead if she'd known this wasn't the case. Mr C wants to know why the application was declined – he suspects that Santander wanted to keep the ERC.

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.

Miss R took out an interest rate product in late 2020. This included an ERC which was payable if the mortgage was repaid before 2 February 2026. The amount of the ERC and when it applied were clearly set out in the mortgage offer. When Miss R accepted the product she agreed to its terms, including the ERC. The mortgage was repaid in early March

2024. Santander applied the ERC, as it was entitled to do under the terms and conditions.

Mr C says Santander should refund the ERC. He says Miss R wants to port the mortgage product to a new mortgage and it isn't her fault that Santander didn't agree to this. He says Miss R wouldn't have gone ahead if she hadn't been misled that her application was approved. He said Santander's decision to decline the porting application – which it didn't explain – was unfair.

Miss R started her application in late December 2023. In late February 2024 Santander said her application had been approved, subject to some final checks and confirmation of the property value.

Miss R decided to go ahead with her property sale before the new property – which was a new build – was ready and before she received a mortgage offer. It seems Miss R expected Santander to port the mortgage. But she couldn't be certain of this until she received a mortgage offer. I don't think Santander told Miss R it would certainly offer a new mortgage. It said this was subject to final checks and the valuation.

Miss R sold her property and repaid the mortgage on 1 March 2024. Santander applied the ERC.

Santander instructed a valuation of the new property in late February 2024. It seems this was delayed as the surveyor had difficulty arranging access to the property. In mid-April 2024 Santander told Miss R her application was declined. It said its decision was based on an analysis of all the information she'd provided as well as information from credit reference agencies.

I can understand Miss R's disappointment that her porting application was declined – something she hadn't expected. Santander shared the reasons for its decision with us, in confidence. I think it applied its lending criteria fairly to Miss R's application.

I can also appreciate Miss R's frustration that Santander didn't give her more information about why it declined her application. Having considered this carefully, I don't think it's fair and reasonable to require it to do so.

I don't know if Miss R would, as Mr C says, have made different decisions if she'd known that Santander wouldn't port the mortgage. She had to pay the ERC and lost the benefit of the low interest rate. On the other hand, Miss R told us that due to the vendor's circumstances she was buying the house at a very cheap price. She might have decided to proceed even if she'd known Santander wouldn't port her mortgage. Ultimately though, it was Miss R's decision to go ahead with her property sale before receiving a mortgage offer.

I do appreciate how disappointed Miss R will be. But I don't think it's fair and reasonable in the circumstances to require Santander to port her mortgage, refund the ERC or pay compensation.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 10 December 2024.

Ruth Stevenson

Ombudsman