

The complaint

Mr W complains that Santander UK Plc lent irresponsibly when agreeing his interest only mortgage in 2008. And it didn't treat him fairly when the mortgage term ended, leading him to sell his home.

What happened

Mr W is represented by Mrs S (a family member) in this complaint. While Mrs S appears to have brought the complaint for him and made most of the submissions, for simplicity, I'll refer to those submissions as if they were made by Mr W directly.

Mr W and his late wife applied for their mortgage with Santander in 2008, via a mortgage broker who was responsible for that advice. Their mortgage was for approximately £88,000 and was set up on an interest only basis with a term of seven years. When the mortgage began, Mr W was 60 years of age, and Mrs W was 73.

The application form they submitted confirms Mr W was a self-employed buyer and Mrs W was retired. It also says £71,000 of the borrowing was to be used to repay an existing mortgage and the property value was approximately £180,000.

I understand that Santander agreed to extend the mortgage term of seven years by two years, meaning the mortgage became repayable towards the end of 2015. Santander's records show that Mr and Mrs W experienced some difficulty making mortgage payments as far back as July 2009. That difficulty appears to have continued through to late 2011. Santander's records show that Mr and Mrs W again experienced a period of difficulty making payments beginning in 2019 which resulted in Santander taking repossession action in June 2019.

Sadly, Mrs W passed away in 2020. And, in the same year, Mr W sold the property to repay the mortgage.

Mr W complained to Santander on 17 April 2024. He said the mortgage was not suitable. He said affordability had not been properly assessed – he was over committed – and he would be a pensioner before the mortgage ended and likely unable to repay the outstanding balance. In a subsequent letter, Mr W complained about the pressure Santander put on him to sell his property to repay the mortgage, including phone contact and the threat of legal action. He said Santander failed to support him as its literature claims it would in such circumstances.

In its final response letter dated 29 April 2024 Santander said it hadn't made an error with regard to the sale of the mortgage because the advice was given by a third party – Mr and Mrs W's mortgage broker. It said affordability would have been assessed at the time and risk factors would have been taken into consideration. And the mortgage terms and conditions said it was Mr and Mrs W's responsibility to ensure they had sufficient funds to repay the mortgage at the end of its term.

In its final response letter dated 18 June 2024, Santander added that it agreed a two-year term extension to assist Mr and Mrs W, and its financial support team were available to them.

Dissatisfied with Santander's response, Mr W asked us to consider his complaint. Santander didn't consent to us considering the part of Mr W's complaint about it agreeing to his mortgage in 2008, as it has been brought too late under our rules.

Our investigator agreed that part of Mr W's complaint had been brought too late, so we don't have the power to consider its merits. With regard to Santander's handling of matters in the six years leading up to the complaint, our investigator thought it had acted reasonably because it had extended the mortgage by two years and allowed Mr W further time to sell the property.

Mr W didn't agree that we can't consider the part of his complaint about Santander's agreement to lend. And he didn't accept our investigator's view about Santander's handling of matters at the end of the mortgage term. So, his complaint has been passed to me to decide.

In my decision of 14 February 2025, I said the rules under which we operate – the Financial Conduct Authority's (FCA) dispute resolution rules (known as DISP) – do not allow us to consider the merits of Mr W's complaint that Santander lent irresponsibly to him in 2008. And I explained why – Mr W made his complaint about that too late according to those rules.

In this decision, I've considered the merits of Mr W's complaint about the way Santander dealt with him after his original mortgage term came to an end.

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.

To decide Mr W's complaint, I've thought about how Santander dealt with him after his mortgage term expired – in particular, during the six years leading up to the date he complained to Santander (17 April 2024). That's because, according to the rules mentioned in the "*What happened*" section above, Mr W had six years from the date of the event complained about to make his complaint. So, I've considered whether Santander's forbearance during that time was reasonable in the circumstances.

Mr and Mrs W's mortgage was set up on an interest only basis. While it appears that, at the time of the remortgage to Santander, Mr and Mrs W borrowed some extra money, their existing mortgage of £71,000 would always have needed to be repaid at some point. It's unclear from the mortgage form whether the term on their previous mortgage was reaching an end, whether Mr and Mrs W were remortgaging to achieve lower monthly costs or were doing so for additional borrowing. But I think it's reasonable to conclude, if their previous mortgage was set up on a capital repayment basis, the monthly cost would have been substantially more. So, I think it's likely, given Mr W's complaint that the Santander mortgage was unaffordable, their previous mortgage was also on interest only.

The mortgage Mr and Mrs W entered into was not open ended – it had an end date by which it needed to be repaid. I would expect a lender to offer some flexibility (forbearance) at the end of an interest only mortgage term for full repayment of a mortgage balance. In Mr and Mrs W's case, I've seen that Santander allowed them a two-year term extension.

After the term extension expired, I think it was reasonable that Santander started to request details of how Mr and Mrs W would repay their mortgage. And I think it's also reasonable that they explained what action may be taken should Mr and Mrs W fail to repay the mortgage in reasonable time. I understand that may be considered threatening – Mr W has said that it was. But the alternative is that borrowers in Mr and Mrs W's position would be unaware of action a lender could take – and would be likely to take – if the mortgage was not repaid in reasonable time.

I've noted Mr W's concern about the monthly cost of the mortgage after the two-year extension expired. And I understand that time, in particular, was difficult for Mr and Mrs W from a financial point of view. But, as our investigator explained, a lender won't generally offer reduced rate deals after the end of the mortgage term – when it is expecting the mortgage to be repaid. I think that's reasonable as most interest rate products represent a commitment for a specific time, and redemption before that time often leads to an early redemption charge. I wouldn't expect a lender to 'encourage' non-repayment of the outstanding balance by offering reduced interest rate mortgage deals.

It appears from Santander's records that Mr and Mrs W experienced difficulty in making payments during 2019, and the lack of an interest rate deal may have been at least partially responsible for that. In turn, the missed payments and that the mortgage balance remained unpaid outside its term, is likely to have led Santander to start repossession action. I understand that Mr W felt considerable pressure at that time, but I think it was inevitable that he would have needed to have sold his home to repay his mortgage.

I know that Mr W may think the pressure to do that led to him selling at a lower price than he'd wanted to. But, while I understand he may not have wanted to do so, marketing the property for sale earlier in the process – when the mortgage initially came to an end – was likely to have led to less pressure later. And, possibly, it would have meant he'd have achieved the selling price he'd wanted. I don't think Santander were to blame for him not taking action sooner than he did.

Overall, I haven't seen that Santander acted unreasonably under the circumstances. So, I don't uphold Mr W's complaint about the way Santander dealt with him when his mortgage was at the end of its term.

My final decision

My final decision is I don't uphold Mr W's complaint about the way Santander UK Plc dealt with him after his mortgage term ended.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 March 2025.

Gavin Cook
Ombudsman