

The complaint

Mr A and Mrs G complain that Santander UK Plc led them to believe they'd be able to change their mortgage to interest-only, which they later found was incorrect. Santander has now declined their request, which Mr A and Mrs G think is unfair.

What happened

Mr A and Mrs G have a capital repayment mortgage with Santander. They took out a fixed interest rate of 3.54% in 2022, which is due to end in December 2024. Once the fixed rate ends, the interest rate on their mortgage will move to a variable rate of 3.25% above the Bank of England Base Rate.

In around August 2023 Mr A and Mrs G applied to switch their mortgage to interest only payments for six months, under the Mortgage Charter. This concession ended in January 2024 with capital repayments being required from February 2024 onwards.

Mr A and Mrs G called Santander on 8 January 2024, while the temporary interest only concession was still in place, to ask about the possibility of a permanent change to interest only. During the conversation, Santander's agent told Mr A that it could consider a permanent change to interest only, despite Mrs G's age. At the time of this conversation, their mortgage term had around eight years and 10 months remaining.

Mr A and Mrs G called Santander again on 7 May 2024 to ask what would be required to change their mortgage to interest only. At this point, they were told it wouldn't be possible, so they raised a complaint about being given incorrect information and how this had impacted them.

Santander responded to their complaint on 11 May 2024. It accepted that it'd given incorrect information about the possibility of changing the mortgage to interest only during the phone call on 8 January 2024. But it said it's not able to change the mortgage to interest only because Mrs G's age was over the maximum it could accept. It also accepted it'd given incorrect information to Mr A and Mrs G about their mortgage being a "flexible mortgage", during the phone call on 7 May 2024. And it offered to pay them £250 to recognise the inconvenience caused by these matters.

Santander later re-iterated its position regarding the incorrect information being given, following further correspondence with Mr A and Mrs G. However, albeit separate to this complaint, it offered to pay Mr A and Mrs G a further £50 to recognise the distress and inconvenience caused by the customer service provided by one of its agents. Mr A and Mrs G didn't agree so they asked the Financial Ombudsman Service to look into their complaint.

Our Investigator didn't recommend Mr A and Mrs G's complaint should be upheld. She thought Santander had provided incorrect information to Mr A and Mrs G, but she didn't think it'd acted unfairly by declining a change to interest only. She thought Santander's offer to pay Mr A and Mrs G £250 to recognise the distress and inconvenience caused was a fair way to put things right. Mr A and Mrs G didn't accept that and asked for an Ombudsman to decide on their complaint, so it was passed to me to decide.

My provisional decision

I thought Santander should have done a better job of considering Mr A and Mrs G's request to change their mortgage to interest only. But that even if it had, I found that a permanent or temporary change to interest only wasn't something Santander could have fairly agreed to – based on the circumstances presented at the time. I also said that both Santander and Mr A and Mrs G should engage meaningfully regarding other forbearance options that might be possible. And, that Mr A and Mrs G may wish to seek independent financial advice about their wider options.

This is what I said in my provisional decision dated 22 October 2024.

I appreciate Mr A and Mrs G felt that the Investigator hadn't fully considered all the evidence they'd provided, including a six-page document setting out a timeline and details of their complaint and circumstances. I'd like to re-assure Mr A and Mrs G that I have considered this evidence during my review of this complaint, along with the phone call they had with another Investigator more recently. And I'd like to thank them for sharing sensitive information with us about their personal circumstances. I'm sorry to hear of the challenges Mr A is facing with his health.

Mr A and Mrs G would like Santander to change their mortgage to interest only permanently as a resolution to this complaint because of the financial pressures they're facing. They've explained, for example, that due to Mr A's health they're having to pay for private medical appointments, treatment, and medication. And that this, alongside other factors including the rising cost of living, is causing them financial difficulties. They've said that changing their mortgage from capital repayment to interest only payments would help to reduce their financial pressures. Mr A and Mrs G have said they'd repay their mortgage at the end of the agreed term in around eight years' time, by selling their home. And that Santander told them during a phone call that it could consider changing their mortgage to interest only permanently.

So, Mr A and Mrs G were asking for forbearance from Santander, due to the difficulties they were facing which it appears were getting worse. But Santander's response was, ultimately, that it couldn't consider a change to interest only because of its policy. I'm not persuaded Santander treating Mr A and Mrs G's forbearance request by simply saying it wouldn't consider it, is fair. And I also think it caused confusion during the phone calls it had with Mr A and Mrs G leading up to that point. However, I don't think it would have changed the overall course of events if it had fairly considered Mr A and Mrs G's forbearance request. I'll explain why.

For a short-term change to interest only, Santander would need to consider whether such a change would be appropriate in the circumstances. To do this, it'd need to take steps to understand Mr A and Mrs G's circumstances and it'd need to consider whether any short-term forbearance offered would help Mr A and Mrs G bring things back on track.

Based on what Mr A and Mrs G have said about their circumstances, I consider they were facing challenges (such as the additional costs from medical treatment and the increasing cost of living) that were likely to continue for the long-term. So, I'm not persuaded that changing their mortgage to interest only temporarily (again), or providing a temporary payment holiday, would help them with that. In both scenarios, it'd lead to their contractual monthly payment increasing further at the end of the temporary period. And, as they're already finding it difficult to maintain their monthly payments, I think there's a real possibility this would make their situation worse. So, I'm not persuaded this is something Santander would have agreed to do, based on

the circumstances at the time, had it fairly considered the possibility of a short-term change to interest only.

For a permanent change to interest only, Santander would be required to consider several factors including an assessment of affordability and ensuring the eventual repayment strategy for the capital balance (which is no longer being paid off during the term) is credible. But lenders are allowed some discretion on where they can choose not to apply these checks for some of their existing mortgage customers – so long as the change would be in the borrower's best interests.

Mr A and Mrs G's repayment strategy, if their mortgage were changed to interest only, appears to be sale of their property – the home that they live in. This type of repayment strategy is not usually acceptable due to the rules and regulations in place. But, as I've explained above, a lender can set aside the current requirements regarding repayment strategies, where doing so would be in the borrower's best interests. Changing Mr A and Mrs G's mortgage to interest only would mean them waiting around eight years to sell their property and there are several potential impacts in doing that. Property prices could fall, Mr A may continue to face health issues and that, alongside other potential factors, would make it more difficult to manage a sale and the disruption that comes with it – and, in the meantime, they would have paid more interest as their mortgage balance won't be reducing.

For these reasons, I can't realistically see how changing the mortgage to interest only permanently would be in Mr A and Mrs G's best interests in the long term. It could potentially leave them in a more difficult and more challenging situation, at a time where worrying about being able to sell their property and move to a suitable home may put them at more risk. And from what Mr A and Mrs G have said about available equity in the property, they could sell their property now, repay this mortgage, and downsize. So, I'm not persuaded a permanent change to interest only is something Santander could have fairly agreed to.

I've listened to the phone calls Mr A and Mrs G had with Santander and Mr A and Mrs G's request wasn't for new lending. They are existing borrowers who were asking for help to find a way out of their financial difficulties. I wouldn't expect a lender to refuse to consider possible forbearance options on age grounds regardless of its lending criteria for new customers. However, for the reasons I've explained above, I'm not persuaded that if Santander had fairly considered an application to change to interest only rather than refusing to do so, that the outcome would have been any different.

That's not the end of the matter though. Santander should have given Mr A and Mrs G confidence that it'd looked fairly at their circumstances and not simply refused to consider what they thought was the best way to help. Because it didn't, I consider that caused avoidable disappointment and upset – Mr A and Mrs G have told us how the situation has impacted them, including how it's affected their health. I can see Santander has offered to pay Mr A and Mrs G £250 to recognise the distress and inconvenience caused. And, having considered what's happened including what Mr A and Mrs G have told us about how the situation has impacted them, I think this amount fairly reflects the amount of distress and inconvenience caused.

I appreciate this isn't the answer Mr A and Mrs G will be hoping for and I'm sorry to hear that their financial situation has worsened since they made this complaint. If Mr A and Mrs G want to find out what other forbearance options Santander may be able to offer, including if their circumstances change, they will need to engage meaningfully with Santander. This may include Mr A and Mrs G needing to provide updated details of their circumstances and for them to complete an income and expenditure assessment. Santander should give fair and reasonable consideration to all potential options, in line with the relevant rules and regulations in place at the

time, taking into account Mr A and Mrs G's individual circumstances. If Mr A and Mrs G are unhappy with the outcome of any future conversations with Santander regarding potential forbearance options, they may then be able to bring a complaint about that to this Service if they wish to do so.

Mr A and Mrs G may also wish to seek independent financial advice to consider what other options they might have. They may be able to get some free advice from a debt charity.

I invited Mr A and Mrs G and Santander to let me have any further comments or evidence they wanted me to consider before I make my final decision.

Santander said it had nothing further to add.

Mr A and Mrs G said, in summary, that their complaint was also about Santander not giving them any other forbearance options, not just about their request to change their mortgage to interest only. As an alternative solution to their complaint, they'd like Santander to explore and offer them other forbearance options. They've referred to more recent conversations they've had with Santander. And they would like me to make a direction to Santander on what it should do, in relation to providing forbearance to them.

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.

Having thought carefully about Mr A and Mrs G's response to my provisional decision – both their written response and their phone call with the Investigator – I see no reason to depart from it. However, I've provided further explanation below to some of the points they have raised, to provide further clarity.

I've explained in my provisional decision that Santander didn't fairly consider Mr A and Mrs G's request to change their mortgage to interest only. But, even if it had done so, I wasn't persuaded it would have made a difference because I don't think what they were asking for was an appropriate option for them – based on the circumstances at the time. And, although I have considered Mr A and Mrs G's submissions following my provisional decision – including factors such as the potential equity in the property – my thoughts on this remain unchanged. Mr A and Mrs G feel that having a significant amount of equity in their property means there's less risk to Santander in terms of offering them forbearance. That may be a relevant consideration, but that's only part of the picture. What's also a factor, among many others, is that this shows Mr A and Mrs G are likely to have other options available to them to resolve their financial difficulties, without incurring more interest over several years. So, it doesn't follow that where a consumer has a potentially significant amount of equity, that a lender should automatically agree to any request they make for forbearance, or at least that it shouldn't give such a request full consideration.

The crux of the complaint that was made by Mr A and Mrs G and referred to our service, was about Santander leading them to believe they'd be able to change their mortgage to interest only. I note that Mr A and Mrs G had suggested other options that Santander might be able to offer them going forward as part of their submission to our service. But at that point, it wasn't about conversations Mr A and Mrs G had later about discussing other potential options after they'd provided details of their income and expenditure to Santander, for example. As this didn't form part of the complaint initially brought to this service – and because I can't see Santander has had an opportunity to consider Mr A and Mrs G's concerns about that – it isn't something I can make a finding on in this case. If Mr A and Mrs G are unhappy with the service Santander has provided to them in relation to these more recent conversations, they would first need to make Santander aware of that, if they haven't already. They may then be able to refer those concerns to our service as a new case if they're unhappy with Santander's response.

Ultimately though, things have moved on since Mr A and Mrs G first raised this complaint, including that their ability to maintain their monthly payments has become more difficult. Their interest rate is also due to increase shortly, which will further increase their monthly payments. Going forward, I think both parties – Mr A and Mrs G and Santander – need to draw a line under what’s happened previously and engage meaningfully to agree an affordable way forward. Santander should fairly consider any requests for forbearance Mr A and Mrs G make in line with the rules and regulations in place at the time – and as I said in my provisional decision, I wouldn’t expect Santander to refuse to consider possible forbearance options on age grounds, regardless of its lending criteria for new customers. But Santander will only be able to consider forbearance options based on the circumstances Mr A and Mrs G share with it, including details of their income and expenditure which they will likely need to provide, and any proposals they might make on how they are going to bring their mortgage back on track.

I do appreciate Mr A and Mrs G will be disappointed that I haven’t directed Santander to offer them specific forbearance options. And I am sorry to hear about the financial difficulties they are facing. But, for the reasons I’ve explained, I’m not going to direct Santander to do anything differently, in relation to this complaint.

My final decision

My final decision is that I do not uphold this complaint. However, Santander should pay Mr A and Mrs G the £250 it has offered if it hasn’t already done so.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A and Mrs G to accept or reject my decision before 6 December 2024.

Maria Drury
Ombudsman