

## The complaint

Mr and Mrs S's complaint arises out of their mortgage account held with Santander UK Plc. The complaint is that Santander has refused to backdate an interest rate product switch to March 2024, as a result of which the mortgage reverted to Standard Variable Rate (SVR), which has led to arrears accruing on the mortgage account.

Mrs S, who has dealt with the complaint throughout, with the consent of Mr S, says that if the new rate was backdated to March 2024, the mortgage would be in credit, not in arrears. To settle the complaint Mr and Mrs S want Santander to backdate the rate to March 2024 and to compensate them for the impact the bank's actions have had on them.

## What happened

Mr and Mrs S have a mortgage with Santander taken out in December 2018. Mrs S resides in the property, but the mortgage account is in joint names. The events giving rise to the complaint occurred in March 2024. In September 2023 Mrs S had asked Santander for an interest-only concession under the Mortgage Charter, which had been agreed and which was due to end on 15 March 2024. On 18 January 2024 Mrs S asked Santander if the concession could be extended, and was informed that it could not. Santander wrote to Mrs S on 7 February 2024 to confirm the concession would end on 15 March 2024.

At the beginning of March 2024, Mrs S applied for a new interest rate. Santander issued a product transfer offer on 5 March 2024 for a new interest rate product of 4.03%, to begin on 19 March 2024, fixed until 2 July 2029.

Because Mrs S still had the six-month interest-only concession in place, the offer showed the product transfer to be on an interest-only basis. During a phone call, Santander also confirmed (in error) that the mortgage was interest-only, because the adviser wasn't aware that the mortgage was on a concession under the Mortgage Charter.

In order to accept the new rate, Mr and Mrs S needed to sign and return an acceptance slip by 19 March 2024. Mrs S confirms they did this, but the signed slip was never received by Santander. As a result, in April 2024, when the mortgage had reverted to capital repayment, the interest rate reverted to SVR, and a payment of £3,188.94 – an amount much larger than Mrs S expected – was collected by the bank. Mrs S contacted Santander about this at the end of April 2024, at which point Mrs S learned that the signed acceptance slip hadn't been received by the bank and the account had reverted to SVR. Mrs S made a direct debit indemnity claim for the £3,188.94, which was processed by her bank, reversing the payment for April 2024. Payments were not made for the months of April-July 2024 inclusive, as a result of which arrears of over £9,000 accrued on the account.

At the end of June 2024, as a gesture of goodwill, and to acknowledge Mrs S's financial difficulties, Santander agreed to honour the 4.03% product switch from July 2024 onwards, but declined to backdate it to March 2024. Mr and Mrs S accepted the product switch by signing and returning the acceptance form in July 2024, but Mrs S complained to Santander about the following matters:

- that she was told the product switch would be on an interest-only basis;
- that Santander refused to backdate the interest rate to March 2024.

Santander acknowledged its adviser had made an error in March 2024 by saying the mortgage would be interest-only going forward. The bank explained that the adviser Mrs S had spoken to wasn't aware that the mortgage was on a six-month interest-only concession, and so had incorrectly explained that the product switch would be for an interest-only mortgage. The bank noted, however, that Mrs S had been informed prior to that call both on the phone and in writing that the concession would end on 15 March 2024.

Santander also agreed as a gesture of goodwill to reinstate the 4.03% interest rate product from July 2024 onwards, but declined to backdate it. Santander also agreed to pay total compensation of £450 for distress and inconvenience.

Dissatisfied with Santander's response, Mrs S complained to our service, with the consent of Mr S. An Investigator looked at what had happened. Having done so, he thought Santander had acted reasonably, and that its offer of compensation was fair.

In relation to the March 2024 product switch showing the mortgage as interest-only, the Investigator acknowledged that this might have been confusing. However, he was satisfied that by the time the offer was issued, Mrs S was already aware of the end date of the concession and that the mortgage would revert to capital repayment after 15 March 2024. The Investigator noted that Mrs S had acknowledged that the interest-only concession was temporary and that the lower interest-only payment quoted in the March 2024 product switch was not a true reflection of what the actual payment would be once the mortgage reverted to capital repayment.

In relation to backdating the mortgage, the Investigator didn't doubt Mrs S had posted the signed acceptance in March 2024, but was equally satisfied that Santander hadn't received it. The Investigator was satisfied that, given the amount of the payment taken in April 2024 for the mortgage at SVR on a capital repayment basis, Mrs S ought to have been alerted at that point that the product switch hadn't been put in place. For that reason, the Investigator didn't think Santander was required to backdate the product to March 2024.

The Investigator was satisfied that the £450 compensation offered by Santander was fair and reasonable in all the circumstances. Mrs S disagreed and asked for an Ombudsman to review the complaint.

### **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.

**Product switch:** At the point where Mrs S requested a new interest rate product in early March 2024, I'm satisfied she was aware that the interest-only concession on the mortgage would end on 15 March 2024. I say this because Mrs S had already been informed of the end date on the telephone on 18 January 2024, and by letter dated 7 February 2024.

Therefore, whilst Santander's adviser did make an error on 5 March 2024 by saying that the product switch would be on an interest-only basis, I'm not persuaded it was reasonable for Mrs S to conclude that the mortgage had been switched to interest-only permanently. The product switch offer dated 5 March 2024 was issued during the interest-only concession period, but Mrs S was, I find, already aware that this would be ending in ten days' time, before the new product would take effect.

Therefore, whilst Santander had made an error in relation to this, I'm satisfied that Mrs S in fact knew the correct position in relation to when the interest-only concession was due to end.

**Product switch backdate:** It's unfortunate that the acceptance form for the product switch in March 2024 wasn't received by Santander. However, I'm unable to find that this was as a result of any error on the part of the bank. I appreciate Mrs S wasn't to know that Santander hadn't received this, and didn't find out until 30 April 2024.

However, Santander's contact notes show that Mrs S didn't effectively engage with Santander about the account until 12 June 2024, notwithstanding multiple attempts by Santander to contact her. In the circumstances, I think Santander's offer to reinstate the 4.03% rate as a gesture of goodwill from 16 July 2024 onwards is fair and reasonable in all the circumstances.

Overall, other than the error relating to Mrs S being told the product switch was interest-only, I'm unable to find Santander has done anything wrong. I think the compensation of £450 paid by the bank is fair, reasonable and proportionate in all the circumstances. I appreciate this isn't the outcome Mrs S was hoping for, but I don't think Santander is required to do anything further.

In relation to the arrears that have accrued on the account, on 4 November 2024 new regulatory provisions were introduced giving Santander more options to help customers in arrears. It is important that Mrs S maintains an open dialogue with Santander about the arrears in order to come to an arrangement to repay them. In this regard, I will remind Santander of its obligation to treat Mrs S sympathetically and to give fair consideration to any reasonable proposals to clear the arrears on the account.

### **My final decision**

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 3 February 2025.

Jan O'Leary

**Ombudsman**