

The complaint

Mr B and Ms K complain that Santander UK Plc delayed putting a new interest rate product in place for their mortgage. They say it applied its follow-on rate and didn't tell them how much they needed to pay. They made an underpayment, resulting in arrears on the account. Mr B and Ms K dispute that they owe the arrears. Mr B has dealt with the complaint.

What happened

Mr B and Ms K have a mortgage with Santander. Their interest rate product was due to expire on 2 November 2023. Mr B applied for a new interest rate product on 27 October 2023. Santander had a note that Mr B and Ms K had separated. Because of this, it asked for the consent of both parties before applying the product. It sent a product transfer offer to them asking for both account holders to sign.

Mr B says he didn't receive this, despite calling Santander to chase for it. Mr B applied for an interest rate product on 12 December 2023, by which time interest rates had fallen. Santander accepts there were some delays on its part in putting this in place. It backdated the product to 12 December 2023 and paid compensation of £330 to Mr B and Ms K.

Santander didn't agree to waive the additional interest applied to Mr B and Ms K's mortgage while it was on its follow-on rate (between 3 November 2023 and 12 December 2023). Mr B and Ms K didn't pay the interest and so there are arrears on the account.

I sent a provisional decision to the parties to explain why I didn't intend to uphold this complaint. In summary, I said Santander had given Mr B and Ms K correct information about when their product would expire and the payments that were due. I said Santander had sent the product offer to the correct address in November 2023 and it wasn't responsible if it wasn't received. While Santander had made errors with the new product Mr B and Ms K requested in December 2023, it had done enough to put matters right.

Mr B didn't agree. He explained why he disagreed with my provisional decision and how I'd reached it. I've referred to his comments where relevant below.

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.

Mr B and Ms K took out an interest rate product in 2021. This expired on 2 November 2023. After this (from 3 November 2023) a variable rate (in this case, Santander's follow-on rate) would apply, unless they took out a new interest rate product.

Mr B chose a new product on 27 October 2023. This had a fixed 5.16% interest rate until March 2029. Santander said both account holders would need to accept the offer. Santander sent a product transfer offer to Mr B and Ms K addressed to the security property – the address it had in its records.

The product transfer offer said all account holders must sign to accept the offer. Santander wrote to Ms K on 1 November 2023 (also at the security property address) saying that as it had been told the parties to the mortgage were not residing together, all parties to the mortgage must sign the offer acceptance. Santander sent a further letter to Mr B and Ms K dated 3 November 2023 saying the mortgage was now on the SVR and setting out the payment due in December 2023 (about £2,000).

Mr B called Santander on 13 November 2023 and on 20 November 2023 to chase the product transfer offer which hadn't arrived. He asked Santander to update his address as he'd moved out of the security property and needed the documents sent to him.

When Mr B called Santander on 20 November 2023 he said he'd received a letter sent on 3 November 2023 saying the mortgage was going onto the variable rate – he disputed this.

Santander told Mr B the mortgage was on the variable rate because his product had expired. It said the product transfer offer had been sent and should be with them by mid-week. Mr B confirmed with Santander his understanding that the new product would take effect in December 2023.

Mr B said he'd been unable to view rates online. Santander said Mr B could speak to the ratings team to see if a better rate was available. Mr B said he'd wait for the documents to arrive on Wednesday and look online at the available rates – he said if he had any problems he'd call the rates team. He said he had about three weeks to sort things out.

Mr B said Ms K had cancelled the direct debit as they didn't know what was going on, which meant that month's payment hadn't been made. Santander gave him the details to make the payment. Mr B made the payment due in November 2023 in full.

Santander didn't receive signed acceptances from Mr B and Ms K. So it didn't put the new product in place. It says Mr B didn't contact it again until 12 December 2023.

Mr B called Santander on 12 December 2023. He'd applied that day for a new product with a rate of 4.75% until May 2026. He asked what his payments would be. Santander told him the amount due on 20 December 2023 was (about) £2,000.

Mr B asked if he still needed to pay this amount when it wasn't his fault that they didn't receive the paperwork to sign in November 2023. He asked if the new product would be in place before the next payment was due. Santander said that was possible but wouldn't change the payment due in December 2023 as this would include the interest already accrued in November 2023. Mr B raised a complaint.

There were delays with the product Mr B applied for on 12 December 2023 being applied to the account. Santander said it was responsible for these delays. It backdated the product to 12 December 2023 and paid compensation.

Mr B and Ms K's account is in arrears. That's because they didn't pay all of the interest accrued between 3 November 2023 and 12 December 2023, while their mortgage was on the follow-on rate.

Did Santander make an error when it applied its follow-on rate?

Santander applied its follow-on rate from 3 November 2023 (after Mr B and Ms K's product expired) to 12 December 2023 (when the new product took effect). This was in accordance with the mortgage terms and conditions and the information Santander gave to Mr B and Ms K.

I don't think Santander made an error when it applied its follow-on rate to Mr B and Ms K's mortgage between 3 December 2023 and 12 December 2023.

Mr B and Ms K pay their interest in arrears. The payment due in December 2023 included the interest accrued in November 2023. Mr B and Ms K's mortgage was on the follow-on rate for most of November 2023 – which was a higher interest rate than their product rate. This meant the payment due in December 2023 was higher than previous payments. The mortgage was on the follow-on rate for the first part of December 2023, which meant the payment due in January 2023 was also higher.

Should Santander waive the additional interest applied while the mortgage was on the follow-on rate?

Mr B says he didn't receive the product transfer offer that he requested in late October 2023 – despite calling Santander twice in November 2023 to chase it. He says other correspondence sent by Santander at that time took a long time to reach him.

Mr B contacted Santander about a new product on 27 October 2023, four working days before their product was due to expire. Santander asked that both account holders accept the new product. I don't think that was unfair or unreasonable, given that it knew they'd separated. The product had an early repayment charge and this might have been a problem if an account holder wanted to sell the property. I can't fairly find that Santander should have put the new product in place without receiving consent from both account holders.

Mr B says Santander should have told him sooner that it needed both parties to the mortgage to sign the acceptance. He said this would have avoided the mortgage being on the variable rate. I don't think that follows. Santander wouldn't put a new product in place until both Mr B and Ms K signed the acceptance. It made this clear when it sent the product transfer offer to them – which it did without any unreasonable delay. The problem seems to have been delays in Mr B and Ms K receiving the documents to sign and return. Santander sent the product transfer offer and correspondence to the addresses in its records. I can't fairly say that Santander was responsible if they didn't arrive.

Mr B says he asked for the documents to be sent by special delivery or recorded delivery to ensure their safe arrival due to the urgency of the situation. Santander didn't have to send the documents by recorded or special delivery, and I can't fairly find that Santander was responsible for the matter being urgent. This was due to Mr B starting the application process only a few days before the product was due to expire.

Having listened to the calls, I think Mr B was aware that both account holders needed to sign and return the product acceptance before the product would be applied to the account. When Mr B called Santander to chase for the product transfer offer documents the mortgage was already on the follow-on rate.

Following my provisional decision, Mr B said he was assured by Santander that any misunderstandings caused by the on-line switch process would be rectified. He says based on this he didn't call back to discuss rates or chase for documents. I haven't seen anything to suggest that the reason Mr B and Ms K didn't have a new product in place in November 2023 was due to a problem with Santander's on-line switch process or that it told Mr B that was the case.

I appreciate that Mr B doesn't agree. But, based on the available evidence, I can't fairly find that the reason Mr B and Ms K didn't have a new product in place by 3 November 2023 was due to an error by Santander.

Mr B said during the call on 20 November 2023 that he didn't agree that the mortgage was on the follow-on rate. I said in my provisional decision that Mr B might have thought he'd avoid having to pay interest at the follow-on rate if he had a new product in place before the December 2023 payment was due. Mr B didn't comment on this. If there was such a misunderstanding, I don't think this was due to an error by Santander, or that this misunderstanding would have been obvious to Santander at the time. Santander gave Mr B and Ms K clear information about the product expiry, that the follow-on rate would apply from 3 November 2023 and about the payment due in December 2023.

Santander said it wrote to Mr B and Ms K in July 2023 and in September 2023, to remind them that their product was due to expire. It provided evidence to support this. The letters set out when the mortgage product was due to expire and said the variable rate would apply after this. The letters said Mr B and Ms K could arrange a new deal by contacting Santander. The 2021 product offer set out the date that the product would expire, as did the annual mortgage statements.

Santander wrote to Mr B and Ms K saying the mortgage was on the follow-on rate from 3 November 2023 and setting out the payment due in December 2023 (about £2,000). The call handler told Mr B the mortgage was on the follow-on rate during the call on 20 November 2023. When Mr B called Santander on 12 December 2023 it said the payment due on 20 December 2023 was (about) £2,000.

I think Santander gave Mr B and Ms K clear information about the amount of the payment due in December 2023. Mr B and Ms K had an opportunity to make the payment when it was due and avoid the mortgage being in arrears.

Problems with the product applied for in December 2023

Mr B applied for a new product on 12 December 2023 with a rate of 4.75% until May 2026. Santander said it was responsible for a delay in sending the product transfer offer out and in processing the signed acceptances. It backdated the product to 12 December 2023 and adjusted Mr B and Ms K's account accordingly (removing additional interest). It paid compensation of £80 for Mr B and Ms K to use to reduce their capital. It paid £250 compensation for the upset caused by the product not being put in place in a timely manner.

What should Santander do now?

I don't think Santander made an error when it applied the follow-on rate from 3 November 2023 to 12 December 2023, or when it gave Mr B and Ms K information about this and the payment due in December 2023. I don't think it's fair and reasonable in the circumstances to require Santander to pay further compensation or refund further interest as if a new interest rate product had been applied from 3 November 2023.

It follows that I don't think Santander made an error when it said there are arrears on the account, due to Mr B and Ms K making underpayments. Mr B and Ms K should contact Santander to discuss the arrears. If they aren't in a position to pay the arrears they can discuss what options Santander can offer, such as a payment arrangement.

Mr B referred to legislation and regulations when he responded to my provisional decision. I can confirm that we take relevant law, regulation and good industry practice into account when reaching decisions.

Mr B also said he thought Santander breached legislation and regulations in its communications regarding the arrears on the account and when applying charges and interest on the arrears. As this wasn't part of the complaint originally raised with Santander

and brought to us, I can't fairly look into it here. If Mr B and Ms K have concerns about the way in which Santander has communicated with them regarding the arrears they should raise this with Santander.

My final decision

My decision is that I do not uphold this complaint. That's because I think Santander UK Plc has done enough to put matters right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms K to accept or reject my decision before 6 February 2025.

Ruth Stevenson
Ombudsman