

## **The complaint**

Ms T's complaint is about the administration of her mortgage account which is held with Santander UK Plc.

In a decision dated 3 February 2025 I explained that I would be considering the following matters.

- legal fees added to the mortgage account;
- the way payments and overpayments had been applied to the account by Santander;
- the way Santander had dealt with mortgage arrears;
- that Ms T was having issues receiving 'push' notifications on her phone via the Santander app;
- that Santander repeatedly failed to address Ms T by her middle name, in accordance with her stated preference.

## **What happened**

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Ms T being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Ms T has had an interest-only mortgage with Santander for some years. The account balance, by today's standards, is relatively modest, with a capital balance of around £10,000 and a contractual monthly repayment (CMP) of about £70. The account had fallen into arrears in the past, as a result of which legal fees were added to the mortgage account.

A direct debit is set up on the account, and in addition to this, Ms T has made overpayments, and also received Support for Mortgage Interest (SMI) payments from the Department for Work and Pensions (DWP) towards the mortgage interest. Ms T is unhappy that the overpayments and DWP payments haven't been correctly applied to the account, and complained about this to Santander. Ms T also complained about the legal fees, and that Santander's correspondence didn't address her by her middle name.

Santander explained in its final response letters that:

- the legal fees had been correctly applied;
- the issues with the direct debit, overpayments and DWP payments were due to the way Santander's system was set up, which resulted in the CMP being taken from overpayments, rather than being used to reduce the capital balance. Santander explained how Ms T could avoid this, and paid compensation of £100 for not initially lodging a complaint.
- Santander apologised for sending out an arrears letter and paid compensation of £100.
- Santander also explained that on its system Ms T's first name was used for correspondence. In the absence of any formal change of name document, Santander

couldn't alter this. However, Santander paid Ms T £25 compensation for having used her first name in a letter.

So overall Santander paid compensation of £225. Ms T wasn't happy with Santander's responses and raised her complaint with our service.

An Investigator looked at what had happened. Whilst he didn't uphold most of the complaint, he thought Santander could have been clearer about the issues with the direct debit and overpayments. He asked Santander to pay £200 compensation for this, which the bank agreed to do. Ms T wasn't happy with the Investigator's findings and asked for an Ombudsman to review the complaint.

Ms T said that she'd set up a direct debit on the account, but Santander had set this up to be taken quarterly, and then changed this to every two months, rather than each month. Ms T said that the direct debit had never been taken monthly, and that Santander had lied to her about how it had applied overpayments to the account. Ms T said that Santander was continuing to abuse her, and thought the Investigator had disbelieved what she had said.

### **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.

The evidence in the case is detailed, running to several hundred pages of documents. I've read everything, and it's apparent that some parts of the evidence are less relevant to the underlying case than others. There are also a lot of duplicated documents and repetition of arguments.

If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

As I said above, on 3 February 2025 I explained which parts of the complaint I would be considering. Therefore whilst I note Ms T raised other issues with us, I won't be commenting on those matters in this decision as I have no legal power to do so.

In relation to the issues I am able to consider, I've reached the following conclusions.

**Legal fees:** I'm satisfied that the account terms and conditions allow Santander to apply legal fees to the account. Santander notified Ms T of this prior to commencing legal action in 2019. I'm therefore unable to find Santander has acted incorrectly here. I've taken note of what Ms T has said about this – that errors by the DWP resulted in the account falling into arrears leading to the legal action in 2019. If Ms T believes the DWP is responsible for the legal fees being added to the account, that's something she'll need to take up with that agency.

**Overpayments and direct debit:** This is an interest-only mortgage, which means that the CMP Santander requires covers only the monthly mortgage interest. The Investigator has already explained how Santander's system is set up to collect the CMP first, before any overpayments are applied. The issue that has arisen is where overpayments are made, along with the receipt of funds from the DWP, these can 'clash' with the system if they exceed the CMP. This results in these funds being used as a credit, from which the CMP is

taken, and which also means that the direct debit for the CMP that month isn't triggered as the CMP already appears to have been made.

Santander has explained that the way to avoid this is to ensure that overpayments are made after the CMP has already been paid by direct debit. This makes sense, because then it avoids the system taking the CMP from the overpayment and then concluding that the CMP has already been made, and not taking the direct debit.

Where SMI is being paid by the DWP, and this is more than the monthly interest due, Santander has to take additional steps to ensure that the SMI payment isn't used as a capital repayment, as this is not what it is intended for. Therefore any SMI which exceeds the monthly mortgage interest would sit on the account and the system would take it into account to decide if a direct debit needs to be raised. If the SMI payment is higher than the mortgage interest, the system will not trigger the direct debit. (I note here that Ms T has confirmed she is no longer claiming SMI, which Santander has noted on its system.)

I can see that overpayments totalling £3,800 weren't properly applied by Santander, due to the above system issues. Santander corrected this, and made up a shortfall of £163,83, which I'm satisfied put things right. So in relation to those overpayments, I don't require Santander to do anything more.

Ms T has set up a direct debit for her overpayments, which are intended to be applied to reduce the CMP, rather than the mortgage term. Now that she is no longer in receipt of SMI, Santander has removed a block on the account which it was required to have in place to ensure that SMI payments weren't being used to repay any part of the capital balance.

I can see that the situation with overpayments and the direct debit has caused Ms T considerable frustration. But Santander's systems – in accordance with standard industry practice – is set up to receive a monthly direct debit for the CMP. Because the mortgage account balance is only about £10,000, the CMP is also fairly small. Therefore, overpayments in excess of the CMP have resulted in the issues I have described above.

I don't have any power to tell Santander what systems it must have in place, but it seems to me that Santander has offered Ms T a reasonable explanation of how to avoid the overpayment issues that have arisen in the past. I note that it was only after our involvement in the matter that a detailed explanation was given, and I think Santander could have been clearer in its earlier replies about why there was an issue with the application of overpayments, particularly where these clashed with DWP payments. Santander has already paid Ms T £100 for not properly logging a complaint about this, which Ms T then had to chase up. I agree with the Investigator that a further payment of £200 should be made for Santander not providing Ms T with a clearer explanation sooner than it did.

Ms T says that her direct debit for her overpayments is intended to be taken monthly, but she has now provided screenshots to show that it is set up to be taken every two months. It's not clear why this is the case, but if Ms T wants Santander to take overpayments monthly, then the bank should adjust the direct debit to do so.

**Mortgage arrears:** In my previous decision I've explained why I won't be looking at the action Santander took in relation to arrears. I note Santander more recently sent Ms T a letter saying she was in arrears when she was not. The bank apologised for this and paid compensation of £100 for any distress caused. I think this is fair in all the circumstances and I don't require Santander to do anything further.

**Push notifications:** Ms T complained to Santander that she was having issuing receiving 'push' notifications on her mobile phone from the Santander app. This is something Ms T will

need to resolve either in her phone settings or else with her phone service provider. I'm satisfied Santander has no control over this and so I don't require the bank to do anything more in relation to this issue.

**Use of incorrect name:** Ms T is unhappy that she is receiving correspondence from Santander that uses her first name, whereas she prefers to be known by her middle name. On Santander's system the account is set up with Ms T's first name as the primary name. Therefore system-generated documentation will send out letters, statements, etc. with that name. I note Santander paid Ms T £25 for any upset caused to her when she received a letter addressed to her first name.

Santander has said that it can change the name on the account on receipt of a valid change of name document (such as a Deed Poll or Statutory Declaration). I think this is reasonable, in all the circumstances. The bank is required to have safeguards in place to ensure that it is dealing with the correct party, and so I'm not persuaded that it would be reasonable to order Santander to change the name on the account unless Ms T has gone through a formal change of name process.

### **Putting things right**

In relation to any confusion over the explanation for the issues with overpayments and direct debits, Santander UK Plc must pay Ms T £200 for distress and inconvenience. This is in addition to the £225 the bank has already paid.

### **My final decision**

My final decision is that I uphold this complaint in part and direct Santander UK Plc to settle the complaint as detailed above. I make no other order or award.

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 Ms T to accept or reject my decision before 24 March 2025.

Jan O'Leary  
**Ombudsman**