

## **The complaint**

Ms M complains that Santander UK Plc didn't treat her fairly when her mortgage was in arrears. When Ms M contacted us about her complaint, she asked that Santander reduce the redemption figure so that she could repay the mortgage.

## **What happened**

Ms M took out a mortgage with Santander in 2005 on an interest only basis.

Ms M had significant health problems from 2019. This led to financial difficulties. Ms M has suffered bereavements, as well as illness and other upsetting events affecting her and her family.

Ms M's mortgage was in arrears from early 2019 and she didn't make any payments from March 2019. The mortgage term expired in 2020 with an unpaid balance. Ms M says sales of the property fell through. Santander started action for possession. Ms M says the addition of interest, solicitors fees and other costs to the mortgage account meant she was in negative equity and unable to sell the property to repay the mortgage.

Ms M raised complaints with Santander in February 2024, March 2024 and August 2024 about being misinformed, the amount of interest being applied, its lack of support and the lack of options when she offered to redeem the mortgage.

Santander paid compensation of £650 (in total) for any distress caused. In August 2024 Santander agreed to accept a reduced payment to redeem the mortgage.

Ms M said Santander didn't support her. It kept putting up interest rates even though she was trying to sell the property and kept in contact. Ms M said she was unable to sell the property during the Covid-19 pandemic. She said Santander's solicitors made errors when attending court without the correct paperwork. And she had to contact Santander's CEO and instigate the discussion about the lower settlement figure. Ms M asked if we could require Santander to freeze interest, which would reduce the amount she owed. She said what she'd put through was horrendous.

Our investigator said, in summary, while Santander accepted Ms M had a poor customer experience, its apology, compensation and acceptance of a lower redemption figure were fair.

Ms M didn't agree and asked that an ombudsman review the complaint. Ms M says she was not treated fairly, supported, helped or listened to by Santander, and the investigator hadn't mentioned the significant impact this had on her.

## **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.

Ms M has told us about her circumstances and how her health has been affected. I won't set

out what she told us in this decision, which will be published. I've kept what Ms M has told us in mind when reviewing her complaint.

I'm not required to respond to each point raised by either party. What I do have to do is explain how I reach my decision as to what's fair and reasonable in all the circumstances of the complaint. I should also explain that where the information is incomplete or contradictory, I reach my decision on the balance of probabilities – that is, what I think most likely happened based on the available evidence.

When Ms M brought the complaint to us, she asked that Santander reduce the redemption amount so that she could repay the mortgage. Since then, Ms M has repaid the mortgage. Santander agreed to accept a reduced redemption amount to settle the account (Ms M told Santander this amount would enable her to ensure all fees and costs were covered). Santander wrote off about £7,000 of the debt. Over the previous few months, Santander had paid £650 compensation to Ms M for any distress caused by poor service.

Ms M's mortgage has been repaid and she will no longer be in contact with Santander about her mortgage. What I need to consider here is whether, as Ms M says, Santander applied interest, fees or costs incorrectly or unfairly. And whether Santander made errors or treated Ms M unfairly so as to make it fair and reasonable to require it to pay more compensation.

When Ms M took out the mortgage she agreed to repay it on or before the term expired and to pay interest on the balance in the meantime.

Ms M's mortgage was on Santander's standard variable rate (SVR). When interest rates increased from 2022, the interest rate applied to Ms M's mortgage also increased. This was in accordance with the mortgage terms and conditions.

The term of Ms M's mortgage expired in 2020. It had been in arrears since early 2019. I wouldn't expect Santander to offer Ms M a new preferential interest rate product in these circumstances. Interest rate products usually have an early repayment charge (ERC). It wouldn't be fair for Santander to offer Ms M an interest rate product when this might result in her having to pay an ERC if she refinanced or sold the property, or if Santander took possession and sold the property.

Santander was aware that Ms M was vulnerable and had financial difficulties. It needed to treat her fairly and pay appropriate regard to her needs, consider how it could support her and ensure she understood what options were available. This didn't mean it had to stop applying interest to the mortgage or hold recovery action indefinitely.

Santander transferred Ms M's account to its vulnerable customers team in mid-2019, when it became aware of her vulnerability. Santander stopped legal action, as Ms M said she had a sale in progress which she expected to complete in late 2019.

Ms M said she couldn't sell the property during the Covid-19 pandemic, when viewings were restricted. Santander didn't take legal action to recover the debt while restrictions were in place. It didn't re-start legal action until late 2021. Ms M didn't sell the property until some years after this. While I appreciate that the Covid-19 pandemic created difficulties, I can't fairly find this was the reason Ms M didn't sell her property before mid-2024 or that Santander was unfair to hold recovery action during the pandemic.

Santander wrote to Ms M saying it would send a field agent to the property or start legal action if she didn't get in contact about the arrears. I appreciate that Ms M found this contact upsetting and it must have been difficult for her to discuss the arrears and her situation with Santander. But Santander did need to maintain contact with Ms M about her plans to repay

the mortgage.

I think Santander allowed Ms M a fair amount of time to repay the mortgage. It put action on hold when Ms M told it a sale was in progress. Ultimately, Santander said it couldn't hold recovery action any longer as the increasing arrears were eroding the equity in Ms M's property.

I think it was fair for Santander to take action to recover the debt. Ms M didn't make payments and this meant her debt was increasing. This reduced her equity in the property and risked her being left with a shortfall debt. The terms and conditions say Santander can add legal costs to the mortgage account.

Ms M says Santander's solicitor was not prepared for the court hearings. And on one occasion gave her information related to another customer. That must have been frustrating. There's no suggestion there was a breach of Ms M's data. From what Ms M has said, the judge dealt with the solicitor being unprepared at the time. I'm only considering here the actions of Santander. If Ms M remains unhappy about the solicitors' conduct, she can consider raising a complaint with the solicitor.

Ms M asked if we can require Santander to freeze interest – presumably with the effect backdated. I don't think it's fair to do so. Ms M made no payments, so reducing or even freezing interest completely wouldn't have helped her to get the mortgage back on track. It's hard to see what support Santander could have offered to help Ms M get her mortgage back on track or repay it without selling the property.

The mortgage was in arrears from early 2019 and the term expired in 2020. Ms M made no mortgage payments after early 2019 – presumably her difficult financial situation meant she was unable to do so. Santander held action when Ms M said a sale was in progress, to allow time for the sale to complete. I think, in the circumstances, that was fair.

Ms M told Santander she would sell the property. She didn't complete a sale before the Covid-19 pandemic, which did cause problems for people selling property. It's possible Ms M's own health problems and upsetting events in her life also made selling the property more difficult. Ultimately though I think Santander acted fairly when it held action to allow Ms M time to complete sales of the property. While it was unfortunate that sales of the property fell through, I can't see that this was due to any error by Santander.

It seems a third party connected to Ms M's family member claimed he'd clear the mortgage and failed to do so. I can understand that was upsetting for Ms M and could have delayed her selling the property. I can't see that this was due to any error by Santander.

Ms M says Santander didn't suggest she try to get a new mortgage. It seems unlikely Ms M would have passed affordability tests for a new mortgage, given she was unable to make any payments. Equity release mortgages are usually only available to customers with a reasonable level of equity in the property.

Santander agreed to a part payment to settle the mortgage. It wrote off about £7,000. This allowed Ms M to sell the property and redeem the mortgage without a shortfall debt. I think this was fair. I wouldn't expect Santander to pro-actively approach Ms M with an offer to accept a reduced amount. Santander accepts its response when Ms M contacted it in mid-2024 about her options was poor, and it offered compensation for this.

Ms M says the arrears and the lack of support from Santander made her health conditions worse.

Ms M's arrears came about because she was unable to make mortgage payments. I think much of Ms M's stress and worry would have been because of her arrears, her financial difficulties, her health problems, bereavements and the other upsetting events she had to deal with. However, Santander's errors would have added to this.

Santander accepts it made errors and offered compensation. It paid £250 to Ms M in early 2024 for saying it hadn't started litigation and failing to call her back. In March 2024 it paid £150 in response to Ms M's complaint about it not supporting her with her mortgage arrears. And it paid £250 to Ms M in August 2024 for poor service regarding the issue of a redemption statement and discussion of her options.

I've thought carefully about the circumstances here and what Ms M has said. I'm sorry to have to disappoint Ms M. I think taking everything into account, Santander's payment of compensation and its acceptance of a reduced amount to redeem the mortgage is fair and reasonable in the circumstances.

### **My final decision**

My decision is that I do not uphold this complaint. That's because I find the steps taken and compensation paid by Santander UK Plc are fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 7 May 2025.

Ruth Stevenson  
**Ombudsman**