

The complaint

Mr and Mrs R complain about the way Santander UK Plc handled a temporary switch to interest only on their mortgage (as agreed under the Government Mortgage Charter). Specifically, they're unhappy about the administration errors that occurred once their arrangement came to an end.

What happened

Mr and Mrs R have a mortgage with Santander. In May 2024 they applied for a temporary switch to interest only under the Mortgage Charter to last for six months from June to November 2024.

On 7 November 2024 Santander wrote to Mr and Mrs R to let them know that from 1 December 2024 their capital and interest repayments would resume at £1,543.17.

On 20 November 2024 Mr R called Santander to ask why their payments were around £65 more than they were before the Mortgage Charter arrangement. The agent on the call did a manual calculation and thought the payments were right. Mr R didn't agree so the matter was referred to Santander's admin team to investigate. The agent said that Mr R should receive a response in writing within seven days. Mr R says that he asked for a complaint to be logged but that never happened.

Having not heard anything, Mr R called Santander again on 4 December 2024. The agent he spoke to said that she could see that Mr and Mrs R's mortgage payments had been calculated using the currently available interest rate of 4.64% instead of their existing rate of 4.34%, which was the rate they were on before signing up to the Mortgage Charter. The agent said she'd arrange for the account to be amended and she logged a complaint on behalf of Mr and Mrs R.

Santander answered Mr and Mrs R's complaint on 10 December 2024 and upheld it. Santander said that the account had been amended and the £65.91 overpayment from 1 December 2024, had been credited back to Mr and Mrs R's mortgage account. Santander also paid Mr and Mrs R £50 compensation by way of an apology.

Mr R called Santander again on 20 December 2024 because he'd not yet received a copy of Santander's final response letter to his complaint. This was re-sent to Mr R but using the current date instead of the original issue date of 10 December 2024. So, he didn't think that a final response letter was ever sent on 10 December 2024. Mr R made a follow-up complaint.

Santander answered Mr and Mrs R's follow-up complaint on 30 December 2024 and paid a further £100 compensation for the additional admin errors noted.

Mr and Mrs R remained unhappy and brought their complaint to our service. They didn't think that £150 fairly compensated them. In summary they said:

- The mistake should not have happened in the first place.

- Their initial complaint of 20 November 2024 was not handled well, and they were categorically told there was no error.
- During this call, they were advised a review would take place, but this did not happen, nor was a complaint raised on their behalf as requested by Mr R.
- The overpayment of £65.91 was not credited back to them as it should have been – they wanted the money credited to their bank account, not their mortgage account.
- They've experienced worry and anxiety, in thinking they'd have to find an extra £65.91 per month to repay their mortgage. They say that had they not pursued their complaint, they'd be overcharged around £65.91 per month over the remaining term of their mortgage (22 years) totalling a potential overpayment of circa £17,000.

After Mr and Mrs R brought their complaint to our service, Santander increased its compensation award to £250. An investigator at our service explained why he thought Santander's offer was fair. Mr and Mrs R disagreed and asked for their case to be decided by an ombudsman.

Before referring the complaint to an ombudsman, the investigator addressed the issue about how the overpayment was returned to Mr and Mrs R in more detail.

The investigator noted that the £65.91 overpayment was paid into Mr and Mrs R's mortgage account on 9 December 2024. Then on 1 January 2025 it was used as a part payment towards the monthly mortgage payment for that month.

Mr and Mrs R say they asked for the funds to be refunded to their bank account from the outset. Our investigator acknowledged that Mr and Mrs R should have been given a choice about how they received the refund and that they'd likely lost out on some interest as a result of how the refund was paid.

Mr and Mrs R responded to say that they "weren't really concerned with the few pennies in missed interest payments", but they were more annoyed and frustrated that Santander hadn't done what they requested.

Santander also responded to say that it had already considered Mr and Mrs R's concern about how the overpayment was paid back to them when offering its recent increased compensation award. Including any potential impact they suffered as a result of loss of funds during this period.

Because Mr and Mrs R remain unhappy with the overall service provided by Santander, I'll now issue my decision on this case.

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 key facts about this complaint aren't in dispute. Santander has accepted it got things wrong. So, the only issue I have to decide is whether the things it has done to put things right, including the amount of compensation awarded to date, is fair and reasonable.

I've carefully considered everything Mr and Mrs R have said about how they've been impacted as a result, and how they should be fairly compensated in the circumstances.

When making an award for compensation, I must decide what's fair and reasonable to both sides involved, giving careful consideration to all the circumstances of this case. I also think it's important to explain that, as a service, our awards are designed to compensate consumers – not punish organisations.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Santander accepts that it made a mistake when it calculated Mr and Mrs R's payments on the wrong interest rate following the end of their Mortgage Charter arrangement. It also accepts that it should've provided Mr and Mrs R with the right information sooner and given better customer service whilst trying to put things right.

The first thing I must think about is whether Santander has done enough to put Mr and Mrs R's mortgage account back in the position it would have been in had the mistake not happened. I'm satisfied that it has. I can see that Mr and Mrs R's mortgage has been recalculated using the correct interest rate of 4.34%. I can also see that their mortgage account was credited with the £65.91 overpayment made in December 2024.

I understand that Mr and Mrs R are unhappy with how the overpayment was returned to them. They said they asked for the refund to be paid back to their bank account, but it was credited to their mortgage account instead. Santander accepts that it ought to have given Mr and Mrs R the option here. It has offered to increase its compensation award by way of apology and to account for any loss of interest Mr and Mrs R have suffered as a result. Given that the loss of interest in this case is minimal – amounting to less than around 30p, I don't consider it unreasonable for Santander to consider a combined compensation award that takes into account this loss.

So, having considered everything, I'm satisfied that there has been no lasting financial loss as a result of Santander's error.

That said, this case should have been one that Santander was able to resolve informally as soon as Mr R called to question their payments on 20 November 2024.

I understand that Mr and Mrs R are questioning Santander's integrity during this process. Mr and Mrs R say that the error wasn't picked up during their initial call and they've been lied to by Santander saying that it was. For their benefit I can confirm that there are system notes from 25 November 2024 that read:

"Email sent to operational support as a/c has been put back on the wrong product after mortgage charter ended".

So, I can confirm that the error was picked up following Mr R's initial call on 20 November 2024. Nonetheless, it took almost six weeks for Mr and Mrs R to get a satisfactory resolution to their enquiry and subsequent complaint. And Santander has accepted that its service could have been better during this time – avoiding the need for repeated contact from Mr R on 4 December 2024 and again on 20 December 2024.

I appreciate this matter has caused Mr and Mrs R a degree of worry and inconvenience. Overall, I consider an award of £250 to recognise the distress and inconvenience caused by Santander's actions to be reasonable and in line with this service's published guidelines on award bandings for a mistake of this nature.

I note that Mr and Mrs R have raised a hypothetical scenario about what could've happened had they not picked up on Santander's error. However, my role is to consider what actually happened and I cannot reasonably direct Santander to pay a compensation award based on any consequences its error *may* have had.

My final decision

Santander UK Plc has already made an offer to pay £250 to settle the complaint and I think this offer is fair in all the circumstances.

I believe Santander UK Plc has already paid Mr and Mrs R £150. So, my decision is that Santander UK Plc should pay Mr and Mrs R a further £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 22 April 2025

Arazu Eid
Ombudsman