

## **The complaint**

Mr C and Ms W complain about Santander UK plc's treatment of them following their request for a new interest rate product and a term extension on their mortgage. They say its communication was unclear and confusing, and as a result their mortgage is on a higher fixed interest rate than it would otherwise have been.

## **What happened**

Mr C's and Ms W's Santander mortgage was on a fixed interest rate which was due to end on 2 November 2023. In July 2023 Mr C contacted Santander to discuss taking a new interest rate product and extending the mortgage term in order to keep the mortgage payments affordable.

Santander told Mr C that he could take a new product and extend the mortgage term under the Mortgage Charter. It applied a seven-year term extension as agreed. It then realised that the new interest rate product needed to be in place before the term could be extended, so it reduced the term back to the original term while the new product was arranged.

Mr C and Ms W applied for a five-year fixed interest rate product at 5.24% with a fee of £999. On 24 July 2023 Santander issued a mortgage offer on that basis. It also said that Mr C and Ms W could switch to a lower interest rate product if one became available before the new rate was applied in November 2023, but if they wished to change the product they needed to do so at least 14 days before the start date of the product they had booked.

On 7 August 2023 Mr C and Ms W accepted the offer, with a start date for the new interest rate of 3 November 2023 – the day after their existing rate would end.

On 11 October 2023 Santander sent Mr C and Ms W a letter confirming their term extension and saying that they had a 14-day cooling-off period in which to cancel it if they wished. Santander later accepted this letter was sent in error.

On 25 October 2023 Santander sent Mr C an email reminding him that he could cancel or change the new interest rate product he had booked up to 14 days before the new rate was due to start.

On 30 October 2023 Mr C called Santander to see if it had any lower interest rates available. It did – but it said Mr C was too late to choose a new rate or cancel the product he had booked because that product was due to start on 3 November 2023. Mr C made a complaint. He and Ms W considered that Santander was treating them unfairly and pointed to the confusing correspondence it had sent them.

Santander said the new rate couldn't be cancelled in the 14 days before it was due to be implemented, and it had been clear about that in the documents it sent to Mr C and Ms W when they selected the rate. It apologised for any confusion caused by later correspondence and paid them £150 compensation, but it wouldn't waive the early repayment charge in order that they could take a new product.

On 3 November 2023 the 5.24% fixed rate product was applied to the mortgage. The term extension was also subsequently put in place, albeit with a delay. Santander later apologised for its handling of the term extension and for its treatment of Mr C on a phone call in connection with that, and paid £350 compensation. Mr C and Ms W accepted that and have said that they consider the delayed term extension issue resolved. They were however still unhappy that they couldn't switch to a cheaper interest rate product, so they referred their complaint to us.

Our Investigator found that Santander had made mistakes, but that it had been clear that Mr C and Ms W would only be able to change the interest rate product they had chosen if they did so more than 14 days before it was due to start. She concluded that Santander's offer of compensation was a fair way to put things right.

Mr C and Ms W didn't accept that conclusion and asked for an Ombudsman's review. They still considered that Santander had caused confusion and had failed to treat them fairly or in line with regulatory expectations.

Santander subsequently told us that it wanted to offer Mr C and Ms W a further £100 compensation. Mr C and Ms W didn't accept that, so their complaint was referred to me to decide.

### **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.

There doesn't appear to be any dispute that Santander made mistakes and its communication with Mr C and Ms W about their mortgage was poor at times. I don't however find I can fairly conclude that Mr C and Ms W missed out on a more favourable interest rate product as a result. The available evidence satisfies me that Santander was clear about the deadline for them to choose a new rate if a cheaper one became available.

The 24 July 2023 covering letter for Mr C's and Ms W's mortgage offer said, on the front page:

#### **"What happens next?"**

- For the transfer to take place, one of the account holders will need to accept on behalf of all account holders. All account holders must agree to this.
- When you accept the offer, you won't be able to change your mind and cancel the contract unless you're booking a replacement deal with Santander. You must ask for this at least 14 days before the confirmed start date.
- You can however pay back the mortgage in full at any time subject to any fees payable.
- Once you accept, we'll progress your product transfer. We'll send you an email to confirm the date your loan(s) will be transferred onto the new product."

The offer said, at section 9:

#### **"Other rights of the borrower**

You have 14 days to fully review all the information we've sent you. Once you've sent us your acceptance, you won't be able to change your mind and cancel the contract unless you're booking a replacement deal with Santander. You must ask for this at least 14 days before the confirmed start date. You can pay back the mortgage in full at any time, subject to any fees shown in the Early repayment section."

Santander also told Mr C in a phone call on 24 July 2023 that he could switch to a new deal as long as he did so at least 14 days before the new rate was due to start.

On 9 August 2023, after Mr C and Ms W had accepted the 5.24% fixed rate product, Santander sent an email to Mr C saying:

"We can confirm that we've processed your mortgage product transfer acceptance and your new deal will start on **03/11/2023**.

You won't be able to make any other changes to your mortgage until the new deal starts. This includes applying for an additional loan, making an overpayment, starting the process to move home or booking a new deal for any other loan(s).

If you want to cancel the deal you've already accepted or take a different deal with us you need to call us on [...] at least 14 days before the start date above."

Mr C and Ms W have pointed to the confusion Santander caused as a result of its various miscommunications and have said that, but for that, they would have been clear about the deadline for changing product and secured a better deal. I agree that Santander's communication was poor and confusing at times, but I've found nothing to show that it misinformed or misled them about the 14-day period before the new rate took effect during which they couldn't make changes to the interest rate product.

The letter Santander sent Mr C and Ms W on 11 October 2023 said that their mortgage term had been extended as requested. It also said: "You have a 14-day cooling-off period from the date of this letter to cancel your request, and we'll put your account back to how it was before you increased your mortgage term".

Mr C's and Ms W's term extension had not in fact been put in place in October 2023. In response to Mr C's and Ms W's complaint, Santander said this was a generic mailing sent to all borrowers who might want to make changes to their mortgage under the Mortgage Charter. I think it's clear that was not the case, and it's difficult to see why Santander got this wrong – although I note that it later apologised for the confusion it caused. But I think it's also clear that this letter was in relation to the term extension and not the product switch. It said that it was in relation to the increased mortgage term and it didn't mention the pending new interest rate product.

Mr C and Ms W have said that they would have changed to a new interest rate product if Santander had reminded them in time of the approaching deadline for doing so. Mr C did receive an email from Santander on 25 October 2023, reminding him that he could "cancel or change to a different deal up to 14 days before your new one is due to start".

The new deal was of course due to start on 3 November 2023 – within the next 14 days. So Santander's 25 October 2023 email was sent too late. Mr C and Ms W couldn't change their deal at that point. Santander hasn't been able to explain why it sent this email, other than to say that it was a mistake. It doesn't however appear to have a policy of sending reminders like this and, importantly, there was and is no duty on lenders to send such reminders.

The 25 October 2023 email was unhelpful and caused Mr C and Ms W avoidable upset and frustration, but it didn't prevent them from selecting a new rate in time. Santander had been clear in earlier correspondence with them that they couldn't change the interest rate product they had accepted within the 14 days before implementation on 3 November 2023. I've noted what Mr C and Ms W have said about no longer being able to access the rate switch offer once they had accepted it. The offer was sent to them electronically, and I think it was for them to retain a copy if they wished or to ask Santander for a paper copy if they wanted one; they also had emails from Santander confirming the deadline for changing the rate if they wanted to do so.

In reaching my conclusions I have kept in mind relevant regulatory rules and guidance, including the regulator's expectations that firms deliver good outcomes and support borrowers appropriately during a period of rising living costs. While a lower interest rate product would of course be a better outcome for Mr C and Ms W, I don't consider that they didn't get one because of anything Santander did wrong. I think that Santander made mistakes and at times failed to communicate clearly, but I don't consider that Mr C and Ms W have missed out on an interest rate product they would otherwise have had as a result. The 4.95% five-year fixed rate product Santander had available on 30 October 2023 was simply never open to them to accept, because they could never have selected a new rate on that date, so close to the start date of the fixed rate product they ultimately got.

I think that Mr C and Ms W should fairly receive some compensation in recognition of the inconvenience, upset and frustration they were caused by Santander's poor treatment of them. In all the circumstances however, I consider that Santander's offer of £100 in addition to the compensation it has already paid is fair and reasonable. I don't therefore make any further order or award.

### **My final decision**

My final decision is that Santander UK plc has made a fair offer to resolve this complaint. It should pay Mr C and Ms W £100 as it has offered, in addition to the compensation it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Ms W to accept or reject my decision before 14 April 2025.

Janet Millington  
**Ombudsman**