

The complaint

Mr L's complaint is about a mortgage he used to hold with Santander UK PLC. Mr L says that, when the mortgage term came to an end, Santander offered him a 2.49% interest rate going forward, only later to withdraw this and tell him that the mortgage would revert to Santander's Follow-on Rate (FoR).

Mr L has now re-mortgaged but would like Santander to compensate him for charging him FoR from October 2024 onwards and to remove any entries from his credit file.

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 every detail here. There have been a number offers and counter-offers between the parties in an attempt to resolve the complaint. Santander has accepted a letter was sent out in error, so what I need to decide is whether or not Santander has offered a fair resolution to the complaint, or if there is more the bank needs to do.

Finally our decisions are published, so it's important I don't include any information that might lead to Mr L being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, rounding the figures, followed by the reasons for my decision.

Mr L's interest-only mortgage was due to reach the end of its term on 1 October 2024. He'd asked Santander for a term extension, which the bank had declined, so Mr L decided to arrange a new mortgage with another lender. In May 2024 the lender issued a mortgage offer for a five-year term, with the first two years on a fixed rate of 5.19%.

However, in August 2024 Mr L was sent a letter from Santander to say that his mortgage would revert to a 2.49% fixed rate. It later transpired that this was a system-generated letter, due to the expiry of the interest rate product on the mortgage extending beyond the end date of the mortgage term. But Mr L wasn't to know that, and he took it as Santander having agreed to his request for a term extension, with the 2.49% continuing into the future.

But in mid-September 2024 Mr L received another letter (dated 3 September 2024) to confirm that the mortgage term would finish at the end of September 2024 and how much the new payment would be going forward on the FoR. Mr L thought this was an error, and contacted Santander to complain.

At about the same time, the new lender sent out a revised mortgage offer for a new two-year fixed interest rate product at 4.79%. Believing Santander had offered him a 2.49% rate, Mr L put things on hold with his new mortgage.

In its final response letter dated 17 September 2024 Santander explained that the letter sent in August 2024 was as a result of human error. Santander confirmed that the correct position was that the mortgage would revert to its FoR. Santander apologised for the mix-up and paid £150 compensation.

Dissatisfied with the bank's response, Mr L escalated his complaint to our service. He considered the letter sent in August 2024 about the 2.49% was "*a binding contract*". Mr L continued to pay the amount specified in that letter – £850 – rather than the £3,000 required on the FoR until he redeemed the mortgage in January 2025, taking out the 4.79% rate offered by his new lender.

An Investigator looked at what had happened. Initially she didn't think Santander had done anything wrong, but later changed her mind. She first thought Santander should pay Mr L the difference between the FoR and the 5.19% rate he could have completed on by the end of October 2024. The Investigator also asked Santander to pay Mr L an additional £150.

Santander made a counter-offer. The bank said it would pay Mr L the difference between 2.49% incorrectly stated in the August 2024 letter and the FoR quoted in the letter dated 3 September 2024, up to 1 October 2024 when the mortgage term ended, so 29 days in total. In addition, the bank agreed to pay a further £150 compensation, making £300 in total.

The Investigator put this offer to Mr L, who rejected it. He accused Santander of trying to extort him, and "*demanding money with menaces*". Mr L said that he thought the Financial Ombudsman Service was there to protect the interests of individuals. Mr L was concerned that "*at no point [has the Financial Ombudsman Service] threatened Santander with any substantial financial penalty.*".

Mr L said that it was "*obviously legally binding and fair*" that the payments for September and October 2024 should be at the 2.49% rate, but says that "*I should bear no penalty above the re-mortgage rate I negotiated for any of the other 3 months*".

The Investigator therefore reviewed the matter, and changed her opinion on what she thought Santander should do. She asked Santander to pay the difference between the FoR and the 5.19% that she thought Mr L would have taken out if the August 2024 letter hadn't been sent in error, up to the date of redemption of the mortgage, and to pay Mr L £300 compensation for distress and inconvenience.

Santander didn't accept this, and nor did Mr L. He said that Santander had reneged on its offer of 2.49%, which was "*totally unacceptable*". Mr L was also unhappy that Santander had reported missed payments on his credit file. As far as Mr L was concerned, he had paid what Santander had told him to pay – the £850 on the 2.49% rate, rather than the unwarranted £3,000 on the FoR. Mr L said that three of his sons are lawyers and they all believe he had a binding contract with Santander for the 2.49% rate.

Provisional decision of 12 March 2025

I issued a provisional decision in which I made the following findings:

I'll begin by explaining that the Financial Ombudsman Service isn't a regulator, and so, whilst I've noted what Mr L has said, I have no power to threaten or impose any financial penalty on the bank. The role of the Financial Ombudsman Service is to consider complaints from individual customers against financial businesses.

As I said at the outset, Santander accepted that the August 2024 letter was an error, and I can understand why Mr L initially thought that Santander had, in fact, accepted his request for a term extension. Mr L was therefore – again understandably – confused by the letter dated 3 September 2024 (which he received about two weeks later), which said that the mortgage would revert to FoR.

However, I'm satisfied that Santander in its final response letter dated 17 September 2024 explained how the error had arisen, and what the actual position was on the mortgage in relation to it reverting to the FoR for September and October 2024.

By this time, Mr L had received the updated mortgage offer from his lender, which appeared to have prompted his solicitor to contact him to enquire about the re-mortgage (because I assume the lender would also have sent the new offer to the solicitor).

I'm not persuaded it was reasonable for Mr L to continue to act on the mistaken assumption that his mortgage continued on a rate of 2.49% after the final response letter had explained what had gone wrong. He'd been told what the correct repayments would be going forward and so I think that by 25 September 2024 at the latest, Mr L could have instructed his solicitors to proceed with his new mortgage, and I think this would feasibly have been able to complete by the end of October 2024.

In the circumstances, whilst I acknowledge how very strongly Mr L feels about this, I am not persuaded it would be fair or reasonable to order Santander to pay Mr L the difference in what he should have paid and what he actually paid for the entire period up until the mortgage was redeemed in January 2025.

I'm also not persuaded that Santander is required to remove any adverse entries on Mr L's credit file. The bank explained to Mr L that it would be reporting arrears prior to doing so. I know Mr L said he thought he was paying what Santander had told him to pay. However, I don't think that was a reasonable expectation on his part, given that Santander had explained it had made an error and what the actual position was. The fact that Mr L didn't accept Santander's explanation doesn't mean that he was allowed to pay less than the amount actually due under the mortgage. As a result, Santander has, as it is required to do, correctly reported the payment shortfalls on Mr L's credit file.

I asked Santander to do the following to put things right:

- Reimburse Mr L for the difference in payments applied to the account at the FoR and the rate of 2.49% for the months of September 2024 and October 2024. This takes account of Santander's error, and the reasonable timescale within which Mr L could have completed his re-mortgage once he was made aware of the correct position.
- Pay Mr L an additional £150 for distress and inconvenience.

Responses to the provisional decision

Santander agreed to my provisional decision.

Mr L has made several detailed responses, repeating most of his previous arguments, and criticising my knowledge of both the processes involved in re-mortgaging and of his specific

complaint. I will not reiterate points Mr L has already made. I have summarised his other points below.

Mr L disputes that his new mortgage could have been completed before the end of October 2024, and has suggested that I have a limited understanding of this process. Mr L has provided information from the internet of the steps he says a lender needs to take to complete a new mortgage, and says this takes six to eight weeks, due to the need for full underwriting, property valuation and legal work.

In addition, Mr L disputes my comment that the Financial Ombudsman Service has no power to threaten or impose financial penalties on Santander.

Mr L also says that a court will understand his attempts to remedy the situation before any re-mortgage could be put in place. Mr L says that the court will take a dim view of Santander dismissing his request for a grace period to remedy the situation, or that the bank made no attempt to remedy its error or help him.

Mr L is also unhappy that by the time his re-mortgage completed in January 2025, it cost him about £10,000 more than he'd anticipated due to the additional interest Santander had charged since October 2024.

Mr L says he will settle the complaint if Santander pays him £9,689.52 (although he goes on to say that this amount takes no account of personal damages, distress, anxiety and damage to his reputation), as well as the removal of any adverse entries on his credit file. Mr L says that Santander has seven days to respond to this offer.

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.

I confirm I've reviewed the file from the outset, including the responses Mr L has made to the provisional decision. Having done so, I have not changed my mind about how the complaint should be resolved.

I reiterate, the Financial Ombudsman Service isn't a regulator and we do not fine, sanction or punish financial businesses. Nor are we a court, and don't award "damages" in the way a court might.

I've noted what Mr L has said about the re-mortgage process and why he believes that, once Santander had corrected its error, he couldn't have completed his re-mortgage before the end of October 2024. Mr L says that this would require full underwriting, valuation and legal work.

However, Mr L is mistaken in his assumption that he would have needed six to eight weeks to complete his new mortgage. This is because the mortgage offer had already been issued, so the lender had already carried out the underwriting and valuation. All that was required was for Mr L's solicitor to complete the legal work.

Mr L had instructed his solicitors some months before, and so it is reasonable to conclude that they hadn't been sitting on their hands for all that time, and that the inspection of the registered title had been carried out. So at the point where Santander had clarified its error, the steps that would be needed for Mr L's solicitors to complete the new mortgage would

consist of two searches, one of the Land Registry and one of the Land Charges Registry. Once these came back (which takes no more than a few days, as they are done electronically), the solicitors would then be able to complete the Certificate of Title to request the funds in order to be able to proceed with the re-mortgage. This would take at most three weeks, giving Mr L time to have completed his re-mortgage by the end of October 2024.

Mr L suggests that the date of 25 September 2024 I mentioned is 'arbitrary'. But this would have given Mr L a week from receiving Santander's final response in which the bank explained its error to read the letter, and then decide what he wanted to do. Rather than acknowledge the bank had made an error, Mr L instead decided to challenge Santander, and maintain his position that he'd been offered a 2.49% rate. In the face of the evidence, I'm not persuaded that was a reasonable stance to take, albeit that I understand Mr L was advised by family members who are lawyers that the letter issued by mistake constituted a *"binding contract"*.

In all the circumstances, and after reconsidering everything Mr L and Santander have said, I remain of the view that Santander quickly clarified its error in its final response letter and explained to Mr L how his mortgage would operate once it moved onto the FoR. I therefore do not think it would be fair or reasonable to hold Santander responsible for Mr L's decision not to accept this. It follows that I'm satisfied that the interest Santander charged on the mortgage up until redemption has been fairly charged, in line with the mortgage contract.

In addition, the information Santander recorded on Mr L's credit file is an accurate reflection of how the account operated. Mr L says Santander failed to warn him of this. However, I'm satisfied that Santander wrote to Mr L on 4 October 2024 when the mortgage account started to show a payment shortfall and said that it provided information to credit reference agencies and that failure to pay the mortgage may affect future ability to obtain credit. I understand that Mr L didn't believe he was in a payment shortfall, but given that Santander had explained the position on 17 September 2024, I'm satisfied that Mr L was, or ought reasonably to have been, aware that he wasn't paying the correct amount, and that there might be consequences for his credit file.

Putting things right

I remain of the opinion that Mr L could have completed his re-mortgage by the end of October 2024, for the reasons explained above. In the circumstances, I think that a fair outcome would be for Santander to do the following:

- Reimburse Mr L for the difference in payments applied to the account at the FoR and the rate of 2.49% for the months of September 2024 and October 2024. This takes account of Santander's error, and the reasonable timescale within which Mr L could have completed his re-mortgage once he was made aware of the correct position.
- Pay Mr L an additional £150 for distress and inconvenience.

I know this isn't the outcome Mr L wanted and I don't underestimate his strength of feeling about this matter. The fact that I haven't found completely in his favour doesn't mean that I haven't understood or considered his concerns. I confirm I've given careful thought to everything Mr L has said. But in all the circumstances, I'm unable to agree with him that Santander is required to pay him the redress he is seeking.

Mr L isn't under any obligation to accept my final decision, and if he doesn't, it won't be legally binding and he'll be free to pursue his grievances against Santander in court. I would

suggest Mr L takes advice from an independent solicitor before pursuing any legal action in the courts.

My final decision

My final decision is that I partly uphold this complaint. I 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 Mr L to accept or reject my decision before 25 April 2025.

Jan O'Leary
Ombudsman