

The complaint

Mr W complains that Santander UK Plc hasn't treated him fairly, and has threatened him with repossession, when he's experienced financial difficulty with his mortgage.

What happened

Mr W has a mortgage with Santander. Santander is now taking legal action to recover the mortgage balance. Mr W, who is being supported by his daughter Ms W, says he doesn't understand why he is being taken to court or why Santander says his mortgage hasn't been paid off.

Santander said that Mr W and his late wife took out mortgage in 2005. They already had a mortgage with another lender, and re-mortgaged to Abbey National (now known as Santander). They borrowed £57,280 on repayment terms over a term of 20 years.

Mr and Mrs W then took out two further advances. The first was in December 2005, borrowing £18,000 on interest only terms over 10 years. The second was in November 2007, borrowing £25,000 on repayment terms over 18 years.

That meant that Mr W's mortgage was then in three parts:

- 1) £57,280 on repayment terms, with the term ending in 2025
- 2) £18,000 on interest only terms, with the term ending in 2015
- 3) £25,000 on repayment terms, with the term ending in 2025.

Santander says that Mr W got into arrears, and to assist it switched parts 1 and 3 to interest only for two years in 2011, switching back in 2013.

That means that Mr W has one single mortgage, in three parts – with two due for repayment this year, and one due for repayment in 2015 (but which still remains outstanding). The mortgage borrowing is separate from personal loans Mr W also holds with Santander, and which have been the subject of a separate complaint.

Santander says that Mr W has been in arrears many times over the years. It offered him a reduced interest rate as a concession in 2021 and again in 2022. It said that it looked at what else it could offer in 2023, but neither a term extension nor capitalising the arrears were affordable. It said that it was aware of Mr W's difficult situation and vulnerability, but there was a limit to what it could do when the mortgage wasn't affordable for him and he had no way of paying back the capital on the interest only part. It said it had referred him to another firm to get advice about taking out a lifetime mortgage to repay this mortgage, but that Mr W hadn't taken that option up.

Our investigator said that it wasn't unreasonable that Santander had considered taking legal action given the level of arrears and the fact that the interest only element of the loan had been outstanding since 2015. He said we couldn't consider the circumstances in which the loan was set up. But he said that Santander ought to have applied the reduced interest rate sooner, and it should therefore re-work the mortgage, and then try to engage with Mr W to

agree a way forward and see if further action could be avoided. Mr W didn't accept that and asked for an ombudsman to review the complaint.

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'm sorry to hear of Mr W's circumstances and vulnerability. I'm sure it's very upsetting for him to be faced with difficulties paying his mortgage and at risk of losing his home. I've taken his full circumstances into account when thinking about this complaint.

I agree with our investigator that we can't consider the circumstances in which the mortgage was taken out. I've set out above what Mr W's mortgage is, and how it was entered into. I can't consider a complaint about whether it was mis-sold, or whether he was misled about it. That's because of the time limits for making complaints. A complaint has to be made within six years of the date of the event complained of, or – if this gives more time – within three years of when the complainant knew or ought reasonably to have known of cause for complaint.

Mr W's mortgage was taken out more than six years before he complained. And I think it's clear that he would have known how it was set up more than three years before he complained – including that part of it was on interest only terms. I've noted that Mr W is dyslexic and struggles with reading, and also has mental health concerns. But I've not seen any suggestion that the late Mrs W was unable to read the documents, and more recently Mr W has had help from family members.

I've also seen that he wrote to Santander around the time of the temporary switch to interest only, in 2011. And he signed to accept that he understood the basis of the mortgage and that those parts would switch back to repayment, with part two remaining on interest only, in 2013. I'm not therefore persuaded that it was only more recently that Mr W became aware that part of the mortgage was on interest only terms, or that it hadn't been repaid as he was expecting. I think he ought reasonably to have been aware of cause for complaint more than three years ago – and I'm not persuaded that there were exceptional circumstances preventing him complaining any sooner.

The mortgage has been in arrears for many years. And the capital balance on part two has been due for repayment since 2015. I've seen from Santander's records that it has tried to discuss things with Mr W many times over the years. In order to consider what it can do to help, it needs to understand more about his finances and wider situation. For example, it wouldn't be right to extend the mortgage term without making sure Mr W could afford any revised payments, or had a way of repaying the capital. As Mr W didn't give it the information it needed, Santander was unfortunately limited in what it could do to help.

Mr W is now being helped by his daughter. She's offered to work with Santander on his behalf, to see if the arrears can be repaid and whether a plan to help Mr W repay can be put in place. I think that's a very helpful development.

I'm pleased to see that our investigator was able to persuade Santander to agree to look at Mr W's situation again, and see whether there are things it can do to help him get to a point where his mortgage can be repaid – avoiding the need for further legal action.

To be clear – this will require Mr W, or his daughter on his behalf, to contact Santander and provide full information about Mr W's finances and wider circumstances. This includes his income and expenditure.

Santander has explained that, depending on Mr W's situation, it might be able to agree to one of the following options:

- 1) Converting the interest only part of the mortgage to repayment terms, and extending the term of the whole mortgage to when Mr W is 75 – if the repayments required to clear the balance by then would be affordable for him.
- 2) Allowing Mr W time to take out a lifetime mortgage to repay this mortgage. Santander can refer Mr W to another company that offers such mortgages, or he can take independent financial advice.
- 3) If a term extension on repayment terms is not affordable, and a lifetime mortgage is not possible, Santander may be able to offer a term extension for up to five years on the same basis as the mortgage is on now, provided the monthly repayments would be affordable. This gives Mr W time to explore other options, such as taking out a lifetime mortgage in a few years (when he might be able to borrow more) or selling the property.

The first and third options depend on the arrears being cleared first, and there being evidence Mr W will be able to afford the mortgage payments. The second option would not require Mr W to clear the arrears first, or show that he could afford the mortgage on an ongoing basis – but would need to be completed quickly to prevent the situation getting worse.

Santander has also agreed to reduce the mortgage balance by backdating the reduced interest rate it offered in 2021 to January 2020. I think that's fair. That's the earliest occasion it could have been made available to Mr W, based on when the rate was introduced and it had contact with him.

I hope that, in light of the above, Mr W's daughter is able to work with Santander on his behalf and find a solution that avoids the need for further legal action and repossession.

My final decision

My final decision is that Santander UK Plc should:

- Re-work the mortgage on the basis that the reduced interest rate was applied in January 2020.
- Write to Mr W and to his daughter on his behalf setting out the new mortgage balance and monthly payments. It should include details of how they can contact Santander to discuss a way forward.

If Mr W or his daughter on his behalf then contact Santander within 28 days of that letter, providing income and expenditure information and such other information as Santander might need, Santander should work with them to consider the options set out above and try to find a way to resolve the situation without the need for further legal action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 October 2025.

Simon Pugh
Ombudsman