

## The complaint

Mr and Mrs W complain that the mortgage redemption statement sent to them by Santander UK Plc was incorrect. They say this resulted in them incurring interest costs of about £1,500 which they could have avoided.

## What happened

Mr and Mrs W had a mortgage with Santander. They had an interest rate product that was due to expire on 2 October 2024. From 3 October 2024, their mortgage would be on Santander's follow-on rate, a variable rate which follows the Bank of England base rate.

Mr and Mrs W wanted to repay the mortgage and asked Santander for a redemption statement for settlement on 2 October 2024. The redemption statement set out the daily interest amount if they repaid the mortgage up to 7 days after this. Mr W said based on this, they decided to redeem the mortgage on 9 October 2024. They intended to repay the mortgage using savings and premium bonds and they expected the prize winnings to be more than the cost of the interest.

Mr and Mrs W later found out that the daily interest quoted in the redemption statement was based on their product rate. The actual daily interest applied by Santander at its follow-on rate was higher. Mr W says they'd have repaid the mortgage sooner if they'd known this. He says while they knew the mortgage was due to go onto the follow-on rate in October 2024, they assumed Santander offered flexibility at redemption at the current mortgage rate.

Santander said the redemption statement says that the figures might change, for instance if there are interest rate changes. It said it gave Mr W the daily interest amount at the follow-on rate on 4 October 2024.

Our investigator said the redemption statement wasn't clear that the daily interest charge would be higher than stated on the redemption statement. He said Mr and Mrs W would reasonably expect Santander to have taken the change in the interest rate into account when it calculated the daily interest charge.

Our investigator said Santander gave Mr and Mrs W correct information about the daily interest charge on 4 October 2024 and they could have repaid most of the mortgage at that point. Our investigator said in summary that Santander should refund the additional interest applied up to 4 October 2024, less any interest or prizes Mr and Mrs W had received, with interest at 8% simple. He said Santander should also pay £100 compensation for the upset caused.

Mr and Mrs W didn't agree. Mr W said he didn't open the redemption statement sent to him on 4 October 2024, so he was unaware of the higher daily interest amount. He says if he'd known this, while he didn't have enough funds available to repay the mortgage in full, he'd have made a partial payment with the funds available (over £1,000,000).

Mr W said even if he had opened the email on 4 October 2024, it was too late to make a repayment or part repayment that day. Mr W said the follow-on rate of 8.25% is unfairly high,

given they only paid this as a result of Santander's error.

Santander didn't agree either. It said Mr and Mrs W were aware their interest rate would change, and therefore the redemption amount would also change. It said it gave Mr W the daily interest charge during a call on 4 October 2024, early enough for him to make a payment.

I sent a provisional decision to the parties. While I agreed broadly with the investigator's outcome, we'd received additional evidence (a recording of the call on 4 October 2024) that I wanted to take into account. I also wanted to set out in more detail how the compensation should be calculated.

Santander agreed with my provisional decision. Mr and Mrs W didn't agree. Mr W said they were left out of pocket. He said the way I'd said the compensation should be calculated suggested that they were more to blame than Santander.

### **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.

Mr and Mrs W requested a redemption statement in early September 2024 for settlement on 2 October 2024. The redemption statement said if the mortgage was repaid within seven days of this, the daily interest charge was about £61.

Mr and Mrs W intended to repay their mortgage using savings and premium bonds. After receiving the redemption statement they calculated they'd be better off settling the mortgage on 9 October 2024. They hoped to receive premium bond prizes greater than the cost of the interest (as set out on the redemption statement) between 2 October and 9 October 2024.

Mr W provided a screen shot of his bank statement for the first half of October 2024. I think Mr and Mrs W would have been able to repay the mortgage on 2 October 2024, as they originally planned to do. I think their decision to repay the mortgage a week later was prompted by the information in the redemption statement.

Mr W says they won premium bond prizes of about £475 in October 2024. This would have been more than the mortgage interest for seven days (about £430), had the daily interest charge been £61.

However, the daily interest charge applied by Santander from 3 October 2024 was about £275. That was because the mortgage had gone onto its follow-on rate. The interest charged between 2 October 2024 and 9 October 2024 was about £1,700.

Santander says it gave Mr and Mrs W clear information. It referred to where the redemption statement says:

#### **When your figures might change**

The amount needed to repay your mortgage in full will change if there any additional payments received, interest rate changes, and/or extra charges.

Santander says Mr and Mrs W knew the interest rate would change to the follow-on rate from 3 October 2024, and so they were aware that the redemption amount would change.

Mr and Mrs W don't dispute knowing their mortgage was due to move onto the follow-on

rate. They say they thought that Santander offered flexibility to customers repaying their mortgage by continuing to apply their product rate for a short period.

I don't think the redemption statement was sufficiently clear about the daily interest charge. While there could be changes to the redemption amount due to unexpected events, that wasn't what happened here. The interest rate change after the product expired was expected and known to all parties. I think Mr and Mrs W would reasonably expect Santander to have taken it into account when it issued the redemption statement.

I think Santander ought to have set out the actual daily interest charge that would apply if Mr and Mrs W repaid their mortgage after 2 October 2024. Had it done so, I think Mr and Mrs W would have repaid the mortgage on 2 October 2024.

However, that doesn't necessarily mean that it's fair and reasonable to require Santander to refund the interest it applied at the follow-on rate. I must fairly take into account that Santander gave Mr and Mrs W clear information in time for them to make a part payment which would have significantly reduced the interest applied. And Mr and Mrs W benefitted from receiving premium bond prizes.

Mr W called Santander at about 10.30 a.m. on 4 October 2024. I've listened to a recording of this call. Mr W said he was waiting for a funds transfer. He wanted to check the redemption amount for that day, or if he repaid the mortgage the following Monday.

Santander gave Mr W the redemption amount for that day. It said the daily interest rate had been upped now and gave the new daily interest amount of about £275 – Mr W began to query this and then seemed to agree. Santander sent a new redemption statement to Mr W by email before 11 a.m. on 4 October 2024, which set out the correct daily interest amount.

I appreciate that Mr and Mrs W will be disappointed that I haven't asked Santander to refund all of the difference between the two interest rates. I have to be fair to both parties and reach a decision about what's fair and reasonable in all of the circumstances.

While I think the redemption statement wasn't sufficiently clear, Mr W did have clear and correct information about the daily interest charge in time to make a part payment on Friday 4 October 2024. Mr W previously told us that if he'd read the redemption statement sent to him on 4 October 2024 he *"would have made immediate payment with the funds available which was over £1,000,000"*. Mr W says he didn't open the redemption statement sent to him that day as he didn't expect the daily interest amount to change. But I think Santander had already made Mr W aware of the daily interest amount, on the phone call.

The extract from the bank statement Mr W sent to us shows funds in his account of over £1,115,000 on 4 October 2024. This was enough to repay most of the redemption amount of about £1,218,000. The remaining funds Mr W was waiting for, from cashing in premium bonds, was about £100,000. So at this point, Mr W was aware of the actual daily interest amount and was in a position to repay most of the mortgage balance, if he wanted to reduce the amount of interest due at redemption.

### **Putting things right**

I think the redemption statement issued by Santander in early September 2024 was not sufficiently clear about the daily interest charge if Mr and Mrs W didn't redeem their mortgage on 2 October 2024. Based on the daily interest charge set out in the redemption statement, Mr and Mrs W calculated they'd be better off if they settled their mortgage a few days later. If Mr and Mrs W are out of pocket as a result, I think Santander should fairly compensate them for this.

I think it's fair to take into account that Mr and Mrs W had an opportunity to mitigate any loss. They could have made a payment of about £1,115,000 on Friday 4 October 2024. This would have reduced their interest costs.

I think it's also fair to take into account that Mr and Mrs W received prizes on their premium bonds, which wouldn't have been possible if they'd repaid the mortgage on 2 October 2024. It's unclear what interest Mr and Mrs W received (if any) on their other savings.

I think Santander should calculate compensation as follows:

1. Calculate how much interest Mr and Mrs W would have paid on £1,115,000 from 2 October 2024 if they'd repaid this amount on 4 October 2024 (with the change to the follow-on interest rate);
2. Calculate how much interest Mr and Mrs W would have paid on £1,115,000 from 2 October 2024 if they'd repaid this amount on 4 October 2024 and the interest rate had remained at 1.84%;
3. Calculate how much interest Mr and Mrs W paid on their remaining mortgage balance (that is, the actual balance remaining after deducting £1,115,000) from 2 October 2024 to the date the mortgage was redeemed (with the change to the follow-on interest rate);
4. Calculate how much interest Mr and Mrs W would have paid on their remaining mortgage balance (that is, the actual balance remaining after deducting £1,115,000) from 2 October 2024 to the date the mortgage was redeemed if the interest rate had remained at 1.84%;
5. Add together the results of 1 and 3, and deduct from this the results of 2 and 4. It should then deduct £475 for the premium bond prizes.

If the result of this calculation is a positive number, Santander should pay compensation of this amount to Mr and Mrs W with interest at 8% simple from the mortgage redemption date to the date of settlement.

I asked that Santander provide calculations in response to my provisional decision. This was to reduce the risk of any confusion or dispute after my final decision, and help Mr and Mrs W decide whether to accept the compensation. Unfortunately, Santander didn't provide the calculations. It should do so promptly if Mr and Mrs W accept my decision.

Mr and Mrs W haven't said they had difficulty paying the higher redemption amount, and the information Mr W supplied doesn't suggest this was the case. I think the unclear information in the first redemption statement caused inconvenience and upset to Mr and Mrs W. They made decisions based on the daily interest charge set out in the first redemption statement and they'd have been frustrated and disappointed to find out the actual amount was higher. I think compensation of £100 is fair and reasonable compensation, in the circumstances, for the upset this caused.

### **My final decision**

My decision is that I uphold this complaint. I order Santander UK Plc to carry out the calculations and make the payments set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 18 June 2025.

Ruth Stevenson  
**Ombudsman**

