

The complaint

Mr N is unhappy that Santander UK Plc (Santander) would not waive the full early repayment charge (ERC) payable on his mortgage when he redeemed the mortgage to move to a new lender.

What happened

Mr N separated from his partner who was a joint party to the mortgage. He says that Santander would not allow him to take the mortgage on himself but that he was advised by Santander that he would be able to port his share of the mortgage to a new property in order to avoid incurring an ERC. However, Mr N says that when he found a new property, he was initially given an agreement in principle, but Santander later told him that it was unable to give him a mortgage.

Mr N says that this has caused him distress and left him in financial difficulties as he had to pay an ERC of around £9,000. The mortgage he had to take with a new lender was also more than he would have paid with Santander. Mr N does not feel that this is fair and says that Santander has taken advantage of him.

Santander says that it declined Mr N's application for a change of borrower based on affordability. In order to be eligible to port the mortgage under its Loyal Mover policy, the application would need to be in the same borrower names, otherwise it is subject to a full application including affordability assessment. As the full application was also deemed to be unaffordable for Mr N alone, this meant that Santander was unable to proceed and the mortgage could not be ported to a new property.

Santander says that Mr N's mortgage offer meant that he was tied into the product until January 2027. As Mr N took his new mortgage with a different lender and redeemed the Santander mortgage within this period, he and the joint borrower incurred an ERC calculated at 5% of the mortgage balance. As a gesture of goodwill to help support Mr N with his financial situation, Santander agreed to partially waive the ERC on a balance of £168,000, which meant waiving £8,400 of the applicable ERC. In fact, when the mortgage was redeemed in March 2025, Santander actually waived £8,500 of the ERC. It says that it will not waive the full ERC as it has not made any errors.

Our Investigator looked into Mr N's complaint and found that Santander had applied the ERC fairly and in line with the terms that Mr N had agreed to. He therefore did not recommend that Santander refunded the remainder of the ERC.

Mr N disagrees with this, so the case has come to me to make a decision. He says that it is not right that Santander has put him in financial poverty and feels that it has bullied him which he says is not acceptable.

Mr N previously raised another complaint about Santander with this Service in relation to his mortgage application being declined, and this has already been dealt with under a different reference number. Therefore, my decision will not be looking into this aspect of Mr N's complaint and will only be looking at the issue in relation to whether the ERC has been correctly charged.

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.

Having looked at the evidence, I agree with the Investigator's view for broadly the same reasons. I've explained my reasons further below.

As set out above, Mr N's complaint in respect of Santander's decision not to grant his application to port the mortgage has already been looked into under a different case reference. Santander declined Mr N's application for a change of borrower based on affordability. As Mr N's later application to port the mortgage was not in the same borrower names as the existing mortgage, his application was subject to a full income and affordability assessment. The application was declined as the mortgage was unaffordable. In respect of that case, our Investigator decided that Santander hadn't acted unfairly or unreasonably in declining Mr N's application.

As a result of Santander declining Mr N's application, he decided to remortgage with a new lender, which meant that he was charged an ERC of around £9,000. It is this issue which I am considering.

The rules of mortgage regulation set out the requirements a lender needs to comply with when imposing ERCs. A lender is entitled to charge an ERC where a customer chooses to end a preferential interest rate early.

I've seen a copy of Mr N's mortgage offer from October 2019. This was for an interest-only loan of £345,952, on a fixed rate of 1.79% until 2 January 2027. The offer sets out that there would be an ERC of 5% of the amount repaid on or before 2 January 2027, and that the maximum ERC payable would be around £17,300 on the total balance.

The offer also states *"You have the right to transfer this loan to another property. You must meet conditions set out in the mortgage conditions under 'Transferring your loan to a new mortgage'. You must also meet our lending criteria and pass our affordability assessment at the time"*.

The mortgage conditions set out that if the offer states that a customer may have to pay an ERC, then the customer will have to pay an ERC if they repay some or all of the loan to which the ERC applies during the relevant period, save in certain circumstances. I am satisfied that none of those circumstances apply in Mr N's case.

In respect of transferring the interest rate to a new mortgage, the conditions set out the circumstances in which an application to transfer the balance to a new property will be accepted, including the customer's financial circumstances and affordability. As set out above, I will not be looking into Santander's lending decision in this respect any further as this issue has already been dealt with in Mr N's other case against Santander.

I'm satisfied that the ERC was set out clearly and prominently in the mortgage offer and I can see that those terms were accepted by Mr N. Santander has applied the ERC in line with the terms of the mortgage offer.

As Mr N redeemed his mortgage with Santander before 2 January 2027, I am satisfied that the full ERC was payable under the terms and conditions of the mortgage. Notwithstanding this, Santander has waived around half of the ERC as a gesture of goodwill to Mr N. It did not have to do this and would have been within its rights to charge Mr N the full ERC of over £17,000.

I also note that Mr N's mortgage with the new lender was for £147,000. Therefore, even if Santander had allowed Mr N's porting application for this amount, an ERC would have been payable on the rest of the amount which would have been repaid. This would have

amounted to an ERC of around £10,000, so Mr N has not paid significantly more than this taking into account the partial waiver by Santander.

I know my decision will come as a disappointment to Mr N, but I cannot say that Santander has acted unfairly or unreasonably in charging Mr N the partial ERC in line with the agreement he had entered into, and therefore I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and don't require Santander UK Plc to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 27 October 2025.

Rachel Ellis
Ombudsman