

## **The complaint**

Mr B's complaint relates to his mortgage that he held with Santander UK Plc. He's unhappy because he says that Santander didn't do enough to support him during his period of financial difficulty.

## **What happened**

In 2020 Mr B and his ex-wife (Mrs B) took a mortgage with Santander. They borrowed around £682,000 payable on capital repayment terms over 30 years. Their rate of interest was agreed at 1.29% fixed until 2 December 2022.

In around 2021 Mr and Mrs B experienced a relationship breakdown and this later led to a divorce. The court ordered that as part of the divorce settlement, Mr B take steps to remove Mrs B from the mortgage and that he be responsible for the mortgage payments in the meantime.

Mr B foresaw that he'd have temporary trouble affording the mortgage due to his change in circumstances and as a result of the costs incurred during the divorce proceedings. He expected his circumstances to improve after several months.

In December 2021 Mr and Mrs B discussed the option of switching their mortgage to interest only. Mr B says that they were told by Santander that their only option was to apply for a permanent switch to interest only, and they couldn't apply for this as a temporary solution.

An application was submitted to switch the mortgage to interest only. The application took longer than expected and during this time Mr B fell into financial difficulty. On 27 May 2022 Mr B called Santander to say that he wasn't able to make his upcoming mortgage payment on 1 June 2022 due to legal fees that he needed to pay. He was told that a payment holiday wasn't an option, but if he wasn't able to make payments when due, then he could cancel his direct debit to allow for manual payments without any detriment to his bank account. A budget planner was sent to Mr B to complete so that Santander could consider possible support options.

The direct debit due on 1 June 2022 was returned as unpaid. On 8 June Santander called Mr B to discuss the outstanding payment. Mr B asked why the application to switch to interest only was taking so long. Santander told him that the application had been abandoned following his previous call which indicated he was in financial difficulty. Santander said that customers in financial difficulty do not meet the criteria for a switch to interest only.

Mr B made a manual payment later that month to bring the account up to date. And the further payments were maintained until the end of the year.

Mr B complained about the poor service he'd received and the fact that it took several months to be told that he didn't qualify for an interest only mortgage. Santander upheld the complaint on 14 June 2022. It agreed that it could have provided better service. Santander said Mr B's mortgage was now with the collections team. Mr B hasn't asked our service to

consider this complaint and so it does not form part of my review.

On 19 July 2022 Mr B called Santander to ask for an update on his application. The agent he spoke to said that they couldn't see why the application had been deactivated. They said they'd reactivate it and ask for a mortgage relationship manager to call Mr B back with an update. Mr B asked why he wasn't told this sooner.

It appears Mr and Mrs B's application was considered further but by the end of July Mr B was told that the application was declined on affordability.

In December 2022 Mr and Mrs B's existing fixed rate deal ended and they took a new product. As a result of the higher interest rate applicable, the payments increased. The mortgage payments became unaffordable for Mr B and the account fell into arrears in January 2023.

In January 2023 Mr B was sent a budget planner to complete so that Santander could understand his financial circumstances and recommend a suitable support option. Mr B returned the completed budget planner in February 2023 and several reduced payment plans were agreed.

In August 2023 Mr B complained to Santander again – this time about the refund of the application admin fee paid for the interest only application. Santander answered this complaint on 18 August 2023 which it upheld. As well as refunding Mr B the £75 admin fee it also paid him £100 compensation. In its final response letter, Santander also addressed Mr B's concerns about the arrears on the account. It said that having considered the information provided in the recent budget planner it was unable to agree to any further payment arrangements, and it said that in order to consider the option of capitalising the arrears balance, Mr B would need to show he could afford the mortgage payments and maintain these payment for 12 months. It appears that at this point, Mr B set an arrangement to make the mortgage payments plus extra to repay the arrears each month, to help get the account back on track.

In December 2023 Mr B raised another complaint with Santander. In summary he says that Santander was at fault for his account falling into arrears. He took proactive steps to address his anticipated financial trouble. It makes no sense that Santander refused to agree a switch to interest only due to affordability, but it allowed him to remain on capital repayment which cost more. And it offered no other solutions to support him.

As a result, he feels that Santander has applied unjust and unfair markers to his credit file. This caused him difficulty obtaining a remortgage through a different lender and as a result he wasn't able to comply with the conditions of the divorce settlement – to have Mrs B removed from the mortgage in time. He says this led to him incurring extra financial burden.

As a resolution to the complaint Mr B wanted Santander to remove the adverse information from his credit file, agree to switch the mortgage to interest only and approve a change of borrower application. He also thought that compensation should be paid.

Santander didn't uphold the complaint. In summary it said:

- A permanent switch from capital repayment to interest only is considered a contract variation. As a responsible lender Santander must ensure the application is affordable when making changes to the mortgage contract. Mr B's application was unsuccessful as the switch was deemed unaffordable. Santander didn't agree that the application was unfairly declined.

- In order to consider forbearance options, it needed to understand Mr B's financial circumstances. A budget planner was sent to Mr B to complete prior to arrears accruing but this wasn't returned, so it was unable to consider other options such as a possible mortgage payment holiday and a temporary change to interest only.
- In the meantime, Mr B was advised to cancel his direct debit to allow for manual payments without any detriment to his bank account. It was also agreed that he could make his payments late.
- It wasn't until after the account fell into arrears that Mr B completed a budget planner. At that point a reduced payment plan was agreed which ended in August 2023.
- It didn't agree that it had not supported Mr B through his financial difficulty, and it was satisfied that it had complied with its duty to report timely and accurate data to the credit reference agencies.
- It agreed that Mr B could submit a change of borrower application on the basis that the arrears are cleared prior to the application completing. The outcome of the application would be subject to a full application, including, but not limited to a full affordability assessment, therefore acceptance was not guaranteed.

Mr B subsequently submitted a change of borrower application. During the application it was deemed that the loan was not affordable on Mr B's sole salary, so he was looking into other potential solutions such as adding another party onto the mortgage. The application was abandoned by Mr B before a decision was reached, and the mortgage was redeemed in June 2024. Mr B says that he has transferred the mortgage to a sub-prime lender in his sole name – which has caused him to incur a higher interest rate.

Unhappy with Santander's response to his recent complaint, Mr B came to the Financial Ombudsman Service on 27 July 2024. Whilst there are two parties to this mortgage, Mr B has brought the complaint alone and without the consent of Mrs B.

An investigator looked into things and didn't recommend that the complaint be upheld. He thought that Santander had treated Mr B fairly and offered reasonable support during his period of financial difficulty. And so, any information reported on Mr B's credit file had been done so appropriately. So, to conclude he didn't think that Santander needed to take any action. The investigator explained why our service couldn't consider the complaints addressed in Santander's final response letters dated 14 June 2022 and 18 August 2023 – as he thought these complaints had been brought too late.

Mr B didn't agree. He explained again the spiral of problems he says he encountered as a result of Santander's actions and gave several reasons why he disagreed with the investigator's opinion. In summary Mr B has reiterated that Santander should have done more to support him by reducing his payments earlier on when he warned it of his financial circumstances and inability to manage his payments in the long term. Santander only stepped in with support options once the account had fallen into arrears. By this point it was too late, and the damage had been done. Mr B also confirmed that his complaint to our service is not about events that were addressed in Santander's earlier final response letters. He is only concerned about the complaint raised with Santander in December 2023 – about the lack of support during his period of financial difficulty.

The investigator considered Mr B's objections but explained why his opinion remained the same. Mr B disagreed and asked for an Ombudsman to make a final decision.

## **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.

Where the evidence is incomplete or inconclusive, as some of it is here, I reach my decision on the balance of probabilities – that is, what I consider is more likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach a fair outcome.

It's clear from what Mr B has told our service that his complaint relates specifically to the lack of support he says he received from Santander in the lead up to his account falling into arrears – so at the early stages of his interaction with Santander between December 2021 and December 2022. It's not in dispute that Mr B provided a completed budget planner after the account fell into arrears which allowed for reduced payment plans to be agreed. Although he remains unhappy that even after completing the budget planners, Santander still didn't agree to a temporary switch to interest only to support him.

I note that Mr B has asked to speak to the deciding Ombudsman before a decision is reached. I've considered his request, but I don't think that's necessary. Having read the file, I'm satisfied I have enough information to fairly decide this case without discussing it with Mr B. Generally, Ombudsmen won't speak to either party before issuing a decision on a case. This helps ensure the impartiality and independence of the Ombudsman when making a decision.

Mr B says that when he first contacted Santander in late 2021 to discuss his financial position, he asked for a temporary switch to interest only to allow time for his circumstances to improve. But he says that he was only offered a permanent switch to interest only as an option.

The earliest call I can see on file took place on 14 January 2022, in which Mr B asks for an update on his upcoming appointment to discuss a permanent switch to interest only.

I've explored this further with Santander who has not been able to provide any earlier contact notes or calls to show how Mr B initially made his enquiry for a switch to interest only. So, it's unclear to me exactly what was discussed between Mr B and Santander about the options for switching to interest only.

I think it's important to point out the difference between a temporary switch to interest only and a permanent one.

Under the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) a request to change a mortgage from capital repayment to interest-only is considered to be a contractual change to the mortgage terms. In such circumstances, an application must be submitted, and the lender is expected to carry out an affordability assessment before agreeing to the request.

A temporary switch to interest only (without an application to vary the contract terms) can in some circumstances be agreed but only for forbearance reasons – for example where the customer is in financial difficulties. It's important to note here that the difference in the payments may become agreed arrears and this will be reflected on the customer's credit file. When the arrangement ends, the lender will either capitalise the arrears and recalculate the monthly payments or agree a repayment plan to clear the arrears over time.

The exception to this is the new forbearance option offered through the Mortgage Charter. This is a voluntary commitment by most major mortgage lenders to help borrowers who are up-to-date with their mortgage payment but who may experience future financial difficulty. It came into effect in June 2023 and allows borrowers who are struggling to pay their mortgage to switch temporarily to interest-only for six months – without any impact to their credit file.

The mortgage Charter wasn't in force at the time Mr and Mrs B asked to switch their mortgage to interest only in late 2021. And by the time it was in force, Mr and Mrs B's account was in arrears, so they did not qualify for the scheme.

Before a lender agrees to a temporary switch to interest (outside of the Mortgage Charter) it must assess the customers circumstances to decide the most suitable forbearance option. Santander obtains the necessary financial information from the customer through what it calls a 'budget planner'.

As I've said, it's unclear exactly what was discussed at the time of Mr B's initial enquiries in late 2021. But given that at this time he was affording his mortgage payments I don't think it was unreasonable for Santander to explore a permanent switch to interest only instead of a temporary measure that would likely impact Mr B's credit file. And I think the option of a permanent switch to interest only would be the more preferable option for Mr B too, given that as part of his complaint he's explained the importance of preserving a good credit profile.

It's not in dispute that the application to switch the mortgage to interest only was handled poorly and it took longer than it should have done to tell Mr B that the application had been abandoned. Mr B's complaint about this was upheld by Santander in June 2022. Mr B has made it clear that this doesn't form part of his existing complaint with our service, so I've not considered any complaint about Santander's lending decision and how it handled Mr B's application further.

During this time Mr B started to experience some difficulties making his payments. When he spoke to Santander on 27 May 2022, he was sent a budget planner to complete, so that Santander could assess his circumstances and agree a suitable option for support. In the meantime, Mr B was told he could cancel his direct debit due on the 1<sup>st</sup> of each month and make manual payments instead. As long as a payment was made in the month the payment was due the account would not fall into arrears and by cancelling the direct debit this would avoid any fees charged as a result of unpaid direct debits.

Mr B didn't return the budget planner when it was first requested. I can understand why. He thought that his application to switch the mortgage to interest only was ongoing – and that if approved, that would help improve his finances. But on the other hand, I can't say that Santander acted unfairly by not offering a payment holiday at that time as requested by Mr B – without fully understanding his financial circumstances.

Unfortunately, because Mr B expressed potential financial difficulty during this call, this meant that he no longer qualified to switch his mortgage to interest only as per Santander's policy. This was explained to Mr B during a call on 8 June 2022 and the abandoned application was confirmed in Santander's final response to Mr B's complaint in its letter dated 14 June 2022. I must let Mr B know that whilst I've had sight of Santander's policy on switching to interest only, I'm unable to share this information which is considered commercially sensitive.

It appears Mr B still thought his application was ongoing. It's unclear why the application was reactivated in mid-July 2022 when he called for an update, despite being told in the final

response letter that the account was now with the collections department. In any event this gave Mr and Mrs B a further shot, however they were told later that month that the application had been declined on affordability.

I appreciate that Mr B feels that it's not logical for Santander to conclude that interest only payments were unaffordable but then allow him to remain paying the higher capital and interest repayments. This point relates to the outcome of Santander's lending decision – something that was first considered in its final response letter on 14 June 2022 and which falls outside of the scope of this complaint. And so not something I've commented on further.

Mr B thinks Santander should have done more to support him. Following the declined interest only application, Santander allowed the flexible payment arrangements to continue which I think was the reasonable thing to do. Because Mr B was maintaining his payments on the account, I'm not persuaded that Santander needed to do more at this stage.

Once the mortgage fell into arrears in January 2023, Mr B was sent another budget planner to complete. He returned this in February 2023, and this allowed Santander to consider suitable options to support Mr B. Several reduced payment arrangements were agreed which allowed Mr B to make affordable payments to the mortgage.

I appreciate Mr B feels that a switch to interest only would have been a better option for him. However, it's important to note that both these types of arrangements would have the same impact on Mr B's credit file – both would be reported as arranged arrears. In addition, a reduced payment arrangement may have other benefits – as it's a more tailored arrangement. It allows the borrower to pay an amount that is specifically affordable for them. For example, after completing a budget planner it may be the case that the customer can afford to pay more than just the interest amount and so it would not be in their best interest to pay less than they can afford – which would in turn make their mortgage more expensive in the long run as a result of the unnecessary arrears accrued.

In its response to the further complaint raised by Mr B in August 2023, Santander said that based on the results of a recent budget planner it could no longer agree to further reduced payment arrangements. Again, this is not a complaint that Mr B has asked our service to consider so I've not commented on this further.

Having carefully considered the complaint Mr B has brought to our service about the lack of support he says he received from Santander when he warned it of his impending financial difficulty – I don't think this complaint should be upheld. I'm satisfied that Santander has treated Mr B fairly during his period of financial difficulty. Whilst I've not considered a complaint about the outcome of the interest only application lending decision or the handling of it, I've explained why I considered that to have been a suitable option for Mr B in the circumstances.

Aside from that I think Santander acted fairly and reasonably when considering forbearance options for Mr B. Where a customer is experiencing financial difficulty, the lender is required to consider what forbearance options are appropriate in the circumstances of the individual customer. A temporary switch to interest only is one of several measures a lender can take to help support the customer get their mortgage back on track. Other options include a term extension, agreeing a reduced payment arrangement, capitalising the arrears or reviewing the interest rate and/or payment date – to name a few. While the customer can express their preferred option, it's for the lender to ultimately decide the most suitable forbearance option in the customers individual circumstances. Support was given to Mr B by way of flexible and reduced payment arrangements. Whilst Mr B's preferred option was a temporary switch to interest only it does not automatically follow that Santander must offer this option above the ones that it did.

Santander has a duty to report accurate and up-to-date information to the credit reference agencies. Based on everything I've seen I'm satisfied that Santander has accurately reported details of Mr B's account and because I don't find that it has acted unfairly here, I won't be asking it to do anything differently. I also can't reasonably hold Santander responsible for all the other impact described by Mr B.

I realise this will be a disappointing outcome for Mr B. But I hope the reasons I have set out help him to understand why I have come to this conclusion.

### **My final decision**

My final decision is that I don't uphold Mr B's complaint against Santander UK Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 September 2025.

Arazu Eid  
**Ombudsman**