

The complaint

Mr E's complaint is about a mortgage he has with Santander UK Plc. He is unhappy that since his mortgage term ended, Santander has charged interest at its standard variable rate (SVR) of interest, despite offering him '*attractive*' interest rates on occasion. This has meant that he has been charged more in interest than he thinks he should have been, and he is in arrears on the monthly interest payments. Mr E has said that there has been a pattern of Santander offering attractive interest rates and subsequently recanting. In addition, Mr E said that when the mortgage reverted to SVR in January 2023, he had been told that he would be charged 6.25%, but it had actually applied a rate of 8.25%.

What happened

Mr E had an interest-only mortgage with Santander. The mortgage was due to be repaid in 2021. Mr E wasn't able to repay it at that time and Santander extended the term by just over a year to allow Mr E more time to get his repayment arrangements in place. When the extended term ended in 2022, Mr E again didn't repay the mortgage.

Mr E complained to Santander on several occasions after the end of the mortgage term about matters relating to the interest that had been applied.

In March 2023 Mr E contacted this Service to complain about Santander having refused to extend the term of his mortgage or give him a new fixed interest rate product (having transferred the mortgage onto a variable rate of interest) when the term ended in 2022. One of my Ombudsman colleagues issued a final decision on the complaint on 26 February 2024.

Mr E subsequently complained that he had been offered a new interest rate product in January 2023, but Santander had then not applied it. Santander responded to this complaint in a letter of 31 May 2024. It confirmed that Mr E had not been offered a new interest rate product in the call he had referenced, and that Santander had reminded him in that call that he could not have a new product because the term of the mortgage had ended.

In March and May 2024 Mr E completed claim forms for the County Court (Small claims) related to the interest rate that Santander had charged him since the term of the mortgage had expired. It does not appear that the claim forms were sent to the Court. Rather, it appears that Mr E sent them to Santander and gave it the 'opportunity' to deal with the matter as a complaint, rather than in Court. Santander responded and referred Mr E to my colleague's final decision.

In early 2025 Mr E complained that in December 2024 he had been told the interest rate being charged on the mortgage could be changed to a retention rate, which was lower than the variable interest rate he was at that point being charged. Subsequently he was told that he was not eligible for that rate.

Santander responded in a letter of 17 January 2025 – it acknowledged and apologised for its mistake and paid Mr E £200 compensation for the upset and inconvenience this mistake had caused him. Initially Mr E accepted the outcome and compensation but later changed his

mind. Santander told him its decision had not changed and reminded him that as the term of his mortgage had expired, he was not eligible for a new interest rate.

In February 2025, Mr E contacted this Service and asked us to consider his complaint about everything that had happened since the mortgage term ended in 2022. One of our Investigators looked at the complaint, but she concluded that we should not consider it further. This was because we had previously considered a complaint that was substantially the same, and the complaint issues were also subject to ongoing court action.

Mr E said he was not taking legal action against Santander. He also said that his complaint was not the same as that which we considered previously – he said it was not to do with the fact that Santander had refused to provide him with a new preferential interest rate product, but rather than it had applied the wrong variable interest rate to the mortgage. He said that he has been told the reversionary rate of interest would be 6.25% in 2023, but Santander actually applied a rate of 8.5%.

The Investigator considered what Mr E had said, but she was not persuaded to change her conclusions. She said that while Mr E considered the issue was slightly different from that which he had raised previously, that was not the case. He was complaining about the interest rate that was applied to the mortgage following the end of its term.

Mr E continued to disagree with the Investigator and asked that the complaint be referred to an Ombudsman.

I issued a provisional decision on 14 August 2025, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

‘There are some complaints that, whilst they fall within our remit, it’s not appropriate for this Service to consider. Our rules, known as the DISP rules, allow us to dismiss a complaint without consideration of its merits in certain circumstances. One of those circumstances is where considering it will seriously impair the effective operation of this service. Our rules set out examples of where that would be the case, and that includes where we have already considered or excluded a complaint.

Mr E complained to this Service, and we issued a final decision, which addressed the issue of Santander not extending the term of the mortgage and not offering new interest rate products, thereby causing the interest rate applied to the mortgage to increase significantly.

Mr E has said following the Investigator reviewing his complaint that it is not about the same issue. I have reviewed what Mr E said to us in the complaint form he completed. I am satisfied that part of the complaint he asked us to consider did relate to the lack of preferential interest rate products.

No new evidence has been provided relating to that issue since this Service considered it initially, and so I do not consider it would be appropriate for this Service to revisit that aspect of the current complaint.

However, I agree that the other aspects of Mr E’s complaint were not covered under the previous complaint to this Service. These being Mr E’s concerns about having been incorrectly offered a retention rate in November 2024 and those around the variable interest rates applied to the mortgage. As such, I will now consider the merits of those issues.

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Mr E's mortgage reverted to Santander's SVR when the term of the mortgage and the attached fixed interest rate product ended. He has raised concerns that when that happened, he was told the interest rate was 6.25% at the beginning of 2023, however, Santander later applied a rate of 8.25% or 8.5%. The rate that Mr E's mortgage is on is a variable one and so will change from time to time. The Bank of England base rate started to increase significantly in the autumn of 2022 and increases continued into the middle of 2023. Mortgage interest rates across the market took this into account and SVRs, including Santander's, generally increased to reflect the changes to base rate. So the fact that Santander applied interest at a higher rate than that Mr E was told about in January 2023 is to be expected and I can't find that it did anything wrong in doing so.

Santander has already accepted that it made a mistake at the end of 2024 when it told Mr E that his mortgage could be moved to a retention rate. As such, I don't need to consider whether it did anything wrong, only whether it has done enough to put things right.

As has already been said, when Mr E's mortgage term and product ended, the mortgage reverted to SVR. That is quite normal and, as the term has ended, he could not have an alternative interest rate or new product. That would include him not being eligible for a retention rate – this is something that a lender will offer to customers in order to retain their business, i.e. to stop them from re-mortgaging elsewhere during the term of their mortgage. However, as Mr E's mortgage had already expired, he simply wasn't eligible for the rate. As such, I can't require Santander to apply that rate to his mortgage. However, I can appreciate that Mr E was disappointed when he became aware that the offer had been a mistake. That said, given that Mr E had been told on numerous occasions that he was not entitled to any alternative interest rates, I think that would have tempered his expectations. As such, I am satisfied that the £200 Santander has already paid Mr E is appropriate in the circumstances.'

Santander accepted my provisional decision.

Mr E accepted my conclusions regarding us not reconsidering the complaint point about access to preferential interest rate products. However, he did not accept those about the interest rate applied to the mortgage from December 2022. Mr E reiterated his comments about the interest rate applied to the mortgage being higher than he had been told it would be in 2022. He said that this was not down to the variable rate changing as it was designed to, but rather that Santander had substituted a reversionary rate for a follow-on rate. He said that he had not been told when the interest rate changed, which Santander was required to do in order to allow a customer to make informed decisions. Mr E said that had he been told in advance of the interest rate changes, he would have looked to re-mortgage in order to pay less interest on the mortgage debt.

Mr E asked that Santander be required to:

- Recalculate his account as though the interest rate had remained at 6.25% throughout.
- Refund the overpayment in interest charged.
- Pay him compensation for the distress and inconvenience this caused him.

No comment was made by Mr E in relation to the complaint point about him having been incorrectly offered a retention rate at the end of 2024.

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.

Both parties accepted my conclusion about the complaint point relating to the provision of

preferential interest rates being dismissed. I remain satisfied that this complaint point should be dismissed as we have considered it previously and so I will not comment further on this issue.

Mr E has not made any further comment on the matter of the mistake made by Santander at the end of 2024 when it incorrectly offered him a retention rate. As such, I will not comment further on the matter, other than to reiterate that I consider the compensation Santander has already paid was appropriate in the circumstances.

I now turn to the matter of the variable interest rate that Santander applied to the mortgage. Mr E has said that Santander applied a follow-on rate rather than a reversionary rate to his mortgage and so he has been charged more than he should have been. I would firstly comment that Santander refers to all rates that a mortgage reverts to after an interest rate product ends as reversionary rates. The reversionary rate may, however, be one of two rates – SVR or Santander's follow-on rate (FoR). FoR is a rate that tracks the Bank of England base rate and is 3.25% higher than it.

I would like to apologise to Mr E that I referred in my provisional decision to his reversionary rate as SVR. That was incorrect and should have been referred to as FoR, as set out in the mortgage offer he accepted in 2021. While I referred to SVR, the provisional decision, the explanation for why the interest rate charged on Mr E's mortgage increased to the level it did is the same – the mortgage market changed and interest rates increased across the market from the autumn of 2022.

Mr E has said that he was put on the wrong reversionary rate in 2022 when the interest rate product and the mortgage term ended. I have reviewed the information he has provided about the interest rates he has been charged, and it does appear that he was put on the FoR when his mortgage term ended. For example, FoR was 8.25% in the autumn of 2024 and it increased to 8.5% towards the end of November of that year.

Mr E has now said that he was not told when Santander varied the interest rate. This is usually an automated process, as is the issuing of statements, so it seems unlikely that Santander didn't provide Mr E with updates when the variable rate he was on changed. However, even if it didn't, I am not persuaded that it would have resulted in the loss that Mr E has said it did. He's said that if he had been told about the increasing rate, he would have looked to refinance to a different lender on a lower interest rate. Given that Mr E was aware that his mortgage term had ended, and he didn't have the capital to repay the mortgage, he should have been looking to refinance no matter what interest rate he was being charged. So, I can't accept that he was deprived of the opportunity to re-mortgage, in the event that Santander didn't tell him about changes to the interest rate that was being charged.

I am not aware of Santander's intentions regarding legal action, but I think I should explain that while lenders will generally agree to put recovery action on hold whilst we look at a complaint, they don't have to, and we can't force them to. If the Financial Ombudsman Service had that power it would undermine our impartiality between the parties to a complaint. It would also create the potential risk of consumers using our service to bring complaints with the intention of obstructing lenders that were trying to take legitimate action through the courts to recover money owed to them. As I have said, I do not know what Santander's intentions are, but I would not want Mr E to be under any misunderstanding that we would tell Santander that it must suspend any recovery action in the event of a new complaint being raised.

My final decision

My decision is that I dismiss the part of Mr E's complaint that relates to him not being offered preferential interest rate products, as we considered that issue in a previous complaint. In relation to the remaining complaint points, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr E to accept or reject my decision before 30 September 2025.

Derry Baxter
Ombudsman