

## **The complaint**

Mr and Mrs R's complaint relates to their mortgage held with Santander UK Plc. They say that they were unfairly prevented from utilising the Mortgage Charter during their period of financial difficulty.

## **What happened**

In 2016 Mr and Mrs R took a mortgage with Santander. They borrowed £395,750.00 over 20 years on part interest only and part repayment terms.

On 6 February 2025 Mr R called Santander to say that he wouldn't be able to make his two upcoming mortgage payments due to cashflow problems. He asked for a zero-payment arrangement for a couple of months. The advisor said that they could put an arrangement in place, but Mr R would need to complete a budget planner.

Mr R completed a budget planner showing a deficit of around £4,000 a month. He called Santander back the next day to follow up. The advisor discussed several options. She explained a zero-payment arrangement and the implications of it. She said that as a result the account would fall into arrears, and this would be reported on Mr and Mrs R's credit files as arranged arrears. The advisor also discussed the option of a temporary switch to interest only but that would require a payment of some sort each month. Mr R said he'd consider his options and get back in touch.

On 13 February 2025 Mr R called back to agree a suitable option. During this call the Mortgage Charter was explained to Mr R. The advisor said that under the Mortgage Charter a customer can apply for a six-month switch to interest only or an extension of the mortgage term without any impact to their credit file. The advisor told Mr R that this was available to all customers provided their account is up to date and not in arrears. Because Mr and Mrs R's mortgage was on part interest only and part repayment, the reduction in the amount due would only apply to the capital repayment part as part of the mortgage was already on interest only. The advisor explained that Mr and Mrs R's contractual payment amount was around £2,108 and of that around £752 was a payment towards the capital. So, if they applied for a full switch to interest only for six months, that would reduce their monthly payment by around £752 to approximately £1,356 a month for that period.

During the call Mr R tried to apply for the Mortgage Charter online, but he had difficulty. The advisor said they'd apply the zero-payment arrangement and also arrange an appointment for Mr R to discuss the Mortgage Charter and a new interest rate at the same time – as Mr and Mrs R were potentially eligible for a lower interest rate that could save them money. An appointment was arranged for 20 February 2025. Mr R asked whether a missed payment in the meantime would impact his ability to secure relief under the Mortgage Charter. He was told that it wouldn't.

On 20 February 2025 during the appointment Mr R was told that he couldn't apply for the Mortgage Charter because they were now in arrears – and the Mortgage Charter was only available to customers who were up-to date with their mortgage.

Unhappy that they'd been potentially misled and misadvised, Mr and Mrs R complained to Santander. Santander said that the Mortgage Charter should not have been offered to Mr R as it's not a solution for customers in financial difficulties. It paid Mr and Mrs R £200 compensation by way of an apology.

Mr and Mrs R remained unhappy, so they came to our Service. An investigator looked into things and didn't recommend that the complaint be upheld. He said that given Mr and Mrs R's circumstances, even if the Mortgage Charter had been discussed and agreed sooner, he's not persuaded they would have been able to maintain the lower payments and the account would still result in arrears.

Mr and Mrs R didn't agree. They said that had the six-month switch to interest only been agreed sooner they would have found a way to maintain the payments to preserve their credit files, and their account would be in a better arrears position due to having less interest owed. They're also unhappy that Santander has refused further borrowing on their mortgage whilst the account remains in arrears.

The investigator considered Mr and Mrs R's comments but explained why his opinion remained unchanged, as such the case has been passed to me to decide.

### **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.

Firstly, I'd like to say how sorry I am to hear about Mr and Mrs R's circumstances. They were maintaining their mortgage since its inception but due to unforeseen circumstances they were faced with financial difficulty in 2025 for reasons outside of their control. Mr and Mrs R were also proactive in contacting Santander to address matters.

Following a number of recent rises in the Bank of England base rate, the government, the Financial Conduct Authority (FCA) and lenders announced a Mortgage Charter.

There are provisions in the Mortgage Charter to provide support to customers concerned about their mortgage. If a consumer is up to date with their payments, they can ask:

- To switch their mortgage to interest only for six months. This won't impact their credit file, but at the end of the six months, their payments are likely to increase to make up the missed amounts; or
- To extend the term of their mortgage without doing an affordability assessment. They can also switch the term back within six months, again without an affordability assessment. This won't impact their credit file.

When Mr R first called Santander in February 2025, he made it clear that they could not afford to pay anything towards the mortgage for at least two months.

Before a lender agrees forbearance, it must assess the consumer's circumstances to ensure the solution offered is both affordable and suitable for their needs. The budget planner that Mr R completed showed a monthly deficit of £4,000. So that limited the options Santander could offer. A zero-payment arrangement was the only option Mr and Mrs R could afford. A temporary switch to interest only was also discussed but this wasn't a suitable option for Mr and Mrs R because they said they couldn't pay anything towards their mortgage for two months and a switch to interest only would still require a monthly payment of around £1,356.

I don't think it was unreasonable that the Mortgage Charter wasn't immediately discussed as an option given Mr and Mrs R's inability to pay anything towards the mortgage for at least two months. In these circumstances a zero-payment arrangement was the only affordable option and the most suitable, I'll explain why.

When a lender puts an arrangement in place to support a customer in financial difficulty, this is recorded as arranged arrears and will show on the customer's credit file as an 'arrangement'. This is as opposed to the customer falling into arrears with no arrangement in place which has a more detrimental impact on their credit files.

A switch to interest only under the Mortgage Charter is considered a variation of the mortgage contract. For that reason, taking this option has no impact to the customer's credit file – provided they maintain their payments. But not making the payments would amount to unarranged arrears and as I've explained would have a more adverse effect on Mr and Mrs R's credit files.

At the point Mr and Mrs R spoke to Santander in early February 2025 they technically qualified for the Mortgage Charter – prior to their account falling into arrears later that month. But given what Mr R told Santander about their circumstances, I don't think it was unreasonable that the Mortgage Charter wasn't offered to them.

Santander said in its final response letter that the reason for this is that the Mortgage Charter isn't a solution for customers in financial difficulties. I don't entirely agree with that statement. The Mortgage Charter is a solution for customers who are up to date with their mortgage but who anticipate financial difficulty and can afford to pay the reduced amount on interest only terms.

Santander has provided a copy of Mr and Mrs R's transaction history. It shows that they made no payments towards the mortgage in February and March 2025. They made a payment of £2,066.78 in April 2025 but then only made a payment of £50 each month until September 2025 (possibly under an arrangement). And then in October 2025 no payment was made. Their arrears balance as of 18 October 2025 stood at over £16,000.

So, given what we now know, it's clear that if Mr and Mrs R went onto the Mortgage Charter they wouldn't have been able to maintain the required payments of around £1,356 and they'd be worse off as unarranged arrears would be reported on their credit files.

I appreciate that Mr and Mrs R say that if a six-month switch to interest only was agreed under the Mortgage Charter, they'd have borrowed money from friends and family to maintain the payments. But that is not a guaranteed income that I'd expect Santander to reasonably consider when assessing Mr and Mrs R's circumstances.

Mr and Mrs R also feel that if interest only payments were agreed under the Mortgage Charter they would have paid less interest on their mortgage, and their arrears would be less. But that's not the case. When a customer temporarily switches their mortgage to interest only, they stop paying the part of their monthly payment that reduces the capital balance. After the six-month period of interest only, Mr and Mrs R's payments would go up. This is because they would still have to repay the entire amount due on their mortgage but in less time, so the missed capital payments must be spread over the remaining term.

Having considered everything and for the reasons I've explained, I don't think that Santander showed unreasonable forbearance in this case. I agree that the Mortgage Charter wasn't an affordable or suitable option for Mr and Mrs R given their circumstances. This shouldn't have been offered to them as an option, but it was – so I accept that Mr and Mrs R were misled, and they experienced loss of expectation when the switch to interest only under the

Mortgage Charter was later refused. Santander has already paid Mr and Mrs R £200 compensation – I consider this to be reasonable and in line with this Service’s guidelines on such compensation, when considering the impact of loss of expectation as is the case here.<sup>1</sup>

In response to our investigator’s view, Mr and Mrs R have mentioned further concerns relating to their inability to obtain further funds from Santander whilst in arrears. This did not form part of their initial complaint to our Service. It’s unclear whether Mr and Mrs R have raised this as a complaint with Santander. Before our Service can look into a complaint, the business must be given the chance to investigate things first. If Mr and Mrs R wish to pursue this as a complaint they will need to refer matters to our Service once they receive a final response from Santander.

I realise this outcome will be disappointing for Mr and Mrs R. But I hope the reasons I have explained has helped them to understand why I have come to this conclusion.

### **My final decision**

My final decision is that I don’t uphold Mr and Mrs R’s complaint against Santander UK Plc.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R and Mrs R to accept or reject my decision before 15 December 2025.

Arazu Eid  
**Ombudsman**

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<sup>1</sup> <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>