

The complaint

Miss E complains about the way that Santander UK Plc has administered her mortgage.

What happened

In 2005, Miss E took out an interest only mortgage with Abbey. Abbey is now called Santander and for ease I will refer to Santander throughout this decision. The mortgage had flexible features including an offset facility and the ability to drawdown funds.

In October 2018, the mortgage balance was cleared by the offset funds. Miss E said she spoke to Santander but was assured there was nothing to worry about. Miss E later drew down funds from the mortgage. But the payments were calculated on a repayment rather than interest only basis. Miss E reduced the balance to zero a number of times – in October 2018, January 2019 and July 2021. On each occasion she then later drew down funds. Each time the payments were calculated on a repayment rather than interest only basis.

Miss E complains:

- The mortgage was mis-sold.
- Santander should not have repaid the mortgage without her consent. She did not request it should be repaid or switched to capital and repayment.
- There was no warning that the offset balance was approaching the mortgage balance. It only wrote to her when the mortgage was repaid.
- Santander will not switch the mortgage to repayment.
- Santander gave her incorrect information about the product - including the wrong set of terms and conditions.

I issued a provisional decision proposing to uphold the complaint. My provisional findings, which form part of this decision, were:

Time limits

I am satisfied that Miss E's complaint is about each time that she paid down the mortgage in full and that when payments were recalculated they were on a repayment rather than an interest only basis.

Miss E made her complaint on 7 February 2025. So the complaint includes events that are more than six years ago, when the mortgage was paid down to zero in October 2018 and January 2019. But I explained to Santander that it had not shown that it gave Miss E enough information to know there was a problem at the time in question – and it appears to have accepted that.

While Miss E has complained about the sale of the mortgage, that is because she believes

that Santander is operating the mortgage contrary to the conditions she agreed when she took it out. She would not have known that until Santander sent her the 2019 conditions in 2025.

Nevertheless, while the events of 2018/19 time are relevant to my decision, as I will go on to explain, I do not intend to make any award in respect of those events.

Drawdowns

Miss E took her mortgage with Santander in 2005. The mortgage offer said the 2003 Flexible conditions applied to it. They said, as relevant:

9.4 (a) Unless you give us instructions to the contrary under sub-paragraph (b) below:

...

If the offer specifies that the interest only basis applies to the whole of the first drawdown you make, the interest only basis will apply to the whole of each later drawdown you make.

The mortgage offer said the mortgage was on an interest only basis. So as far as I can see any drawdowns should have been made on an interest only basis.

In its responses to the complaint, Santander has referred to the May 2019 conditions. But it has not put forward any evidence or arguments to show why they are relevant or that they applied to Miss E's mortgage. I am satisfied that the 2003 conditions applied here.

Therefore, I do not consider that Santander treated Miss E fairly or in line with the conditions that applied to her mortgage. The conditions said that interest only would apply to every drawdown she made. So it was not fair for it to calculate payments on a repayment basis when Miss E made a drawdown.

Usually where a business has not acted fairly, the starting point is to put the affected party back in the position they would have been in had they been treated fairly in the first place. But I do not consider it is reasonable to re-work each of the drawdowns.

Miss E has said it was only when interest rates started going up that it caused her a problem; Miss E has not suffered a financial "loss" as a result of being on repayment; and it is likely to be difficult to re-work things bearing in mind Miss E repaid the borrowing in full on a number of occasions and then drew the funds down again. I consider it is fair in the circumstances to look at things from the last time the balance was repaid in full in June 2022. I understand the first drawdown Miss Made following that was on 13 June 2023.

Santander should work out how much Miss E would have paid had the repayments since 13 June 2023 been calculated on an interest only rather than a repayment basis. It should then refund the difference between the amount Miss E has paid and what she has paid on an interest only basis. It should pay interest at 8% simple per year on the difference from the date each payment was made until date of settlement. And Santander should allow the payments to be continued on an interest only basis until the end of term. I understand Miss E has confirmed she will repay the debt by sale of property and that is acceptable to Santander.

Miss E said as a result of making the more expensive payments on a repayment basis she has had to remove her child from private school and cut back on everyday expenditure. She said that the experience was "traumatic" and the quality of her and her child's lives have been detrimentally affected. Miss E also said the matter had affected her health and that

has impacted the cash flow to her business.

I've thought very carefully about what Miss E has said. I accept that her payments being on a repayment rather than an interest only basis will have contributed to the difficulties she experienced. But I have to bear in mind that interest rates and the cost of living have increased significantly for everyone over the past few years. I can't say that Santander did was the sole or primary cause of the difficulties she has experienced.

I accept that having the payments calculated on a repayment rather than interest only basis has added to and contributed to the difficulties Miss E has faced and that includes an element of suffering. In view of that and taking into account that the adverse impact on Miss E has been for over three years, I consider that £900 would be a fair amount to reflect any distress and inconvenience this matter has caused to her.

I do not consider the mortgage was mis-sold. If Santander accept my proposed award it will operate in line with what Miss E agreed.

Santander accepted my provisional decision. Ms E did not. She responded to make a number of points, including:

- The mortgage should not have been changed to a “drawdown of available funds” basis after the mortgage was reduced to zero. The mortgage should be put back to its original basis with a mortgage offset savings account set up that can be managed online. She has to request the funds by phone one day in advance with the inconvenience of a call and then waiting for the funds.
- She'd been charged an administration fee of £10. There should be no administration charges for suing the offset savings account.
- The compensation should be increased to reflect the impact on her health over lengthy period and for the financial distress caused by Santander. The repayment basis caused a large amount of her cash flow to disappear and that was only stemmed by cutting back on school fees and making changes to her lifestyle. She would accept £20,000 in settlement of this matter.

Santander responded to say that Ms E could drawdown online without restriction unless the account is reduced to a zero balance again – in that case Miss E would need to speak to Santander and request that payments are made on an interest only basis. Santander said the terms of the account allow a £10 administration fee if there are more than three transaction. But it offered to reverse all of the fees applied since there was a zero balance in 2019.

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 sides have accepted my proposal to put Miss E back in the position she would have been in had the mortgage operated on an interest only basis since June 2023. I see no reason to reach a different finding on that.

It is not clear that there is any real practical difference between the available funds facility and the drawdown facility. The definition of the “available funds facility” under the terms and conditions was “*the facility you have under the offer and these conditions to borrow money from us under the mortgage by making drawdowns up to the credit limit*”. So taking money under the available funds facility was a “drawdown”

The 2003 mortgage conditions say that a “*a ‘transaction’ means an instruction to make a drawdown*”. They go on to say that up to three transactions a year can be made without any charge. But after that an administration charge will apply. Nevertheless, Santander has agreed to reverse all of the administration charges applied since 2019. I think that is fair in the circumstances. If Santander applies administration charges in future, and Miss E thinks that is wrong, she’d need to raise that with Santander in t

Santander said that Miss E is able to drawdown online and that she has done so. There appears to be no practical difference in the ability to drawdown funds. I note the terms and conditions allow for one day’s notice of drawdown. In any event, I don’t consider there is any real detriment if Miss E had to wait one working day for the funds.

Santander has said if the account is reduced to a zero balance then Miss E would need to contact it to make sure the repayments are set up on an interest only basis. That is reasonable and Miss E is now aware of that.

That leaves a payment for distress and inconvenience. I note that Miss E has not given us any documentary evidence to support that the change in payments from interest only to repayment on the flexible part of the mortgage has contributed to the problems she’s experienced or that it was the sole or main source of her financial worries. Putting aside the increased payments towards the flexible facility, she has not given us any evidence to support that this matter caused her any other financial loss.

That is not to downplay what Miss E has been through or the seriousness of the mistakes by Santander. But looking at how we make awards for non-financial loss there is no basis for me to make an award of £20,000. I accept that financial worries may have contributed to her health concerns, but the evidence we have does not support this matter was the main or sole cause of them. After very careful consideration, and in all of the circumstances I consider £900 is a fair amount to reflect any distress and inconvenience this matter has caused to Miss E.

My final decision

My final decision is that Santander UK Plc should:

1. Calculate how much Miss E would have paid had the drawdown facility operated on an interest only basis from 1 June 2023.
2. Refund Miss E the difference between the amount she has paid to the mortgage since 1 June 2023 and the above amount in 1.
3. Pay interest on the amount in 2 at 8% simple per year from the date of each payment made by Miss E until date of settlement. If Santander considers that it’s required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss E how much it’s taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.
4. Allow the drawdown facility to continue on an interest only basis until the end of its term

5. Reverse any administration charges applied for transactions on the flexible mortgage since 14 February 2019.
6. Pay Miss E £900.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 16 October 2025.

Ken Rose
Ombudsman