

The complaint

Mr X has complained about a mortgage he held with Santander UK Plc.

What happened

Mr X took this mortgage out in 2003. It appears that within a few years he had reduced the balance to nil and the account was left open in case he wanted to drawdown funds in the future. The contact notes indicate that in 2007 a credit limit increase was agreed to around £688,400. Mr X drew down funds and started to use the account again.

It was a flexible mortgage account that provided a savings pot and also allowed the customer to make drawdowns, both from the savings pot and from any available funds on the mortgage account. I understand each time a drawdown or reduced payment was made a letter was sent to Mr X.

From early 2015 Mr X made lower payments than were required to the mortgage account (for ease I will refer to these going forward as a “reduced payment”), with the difference being made up by funds being removed from the savings pot balance. This meant the balance in the savings pot was reducing each month. As an example, the contractual mortgage payment was around £3,900 and Mr X paid £150 a month (which he increased to £190 a month in 2016 and from March 2017 it varied). In January 2015 the savings pot was around £230,300 and the mortgage balance was around £392,800. Mr X also made drawdowns, which reduced the savings pot balance further.

In July 2015 there was around £367,000 outstanding on the mortgage, and Mr X held around £196,000 in the savings pot which gave a net debt at that time of around £170,000. The contractual mortgage payment was around £4,060 a month.

By October 2019 the savings pot balance had been used up and the mortgage balance was around £176,000, so when Mr X continued to make reduced payments to the mortgage account, and made further drawdowns, the mortgage balance increased each month. At that time the contractual mortgage payment was around £4,100 a month.

By October 2020 the mortgage debt had grown to around £320,000, with a contractual mortgage payment of around £10,200 a month. And by January 2022 the mortgage debt had grown to around £430,000, with a contractual mortgage payment of around £27,200 a month.

The mortgage term ended on 28 May 2023 at which time there was a balance outstanding of around £564,000. From that point on Mr X made no further payments to the debt until he repaid it in full just under two years later.

There were discussions between the parties about how the debt was to be repaid, with Santander saying it couldn't grant a formal term extension in July 2023. Santander tried to contact Mr X to discuss other options, without success, and so in February 2024 Santander instructed a field agent to visit Mr X. I understand the field agent visited Mr X's address and left letters and phone messages but was unable to make contact with him.

On 26 March 2024 Santander wrote to Mr X to state it intended to instruct solicitors. The solicitors were instructed in April 2024 with the contact notes indicating that, at that time, despite its attempts to contact him, it had last heard from Mr X in July 2023.

Mr X contacted Santander in response to the letter before action and explained why the mortgage balance was overdue. He said that his uncle had recently died and he was the sole beneficiary of his estate, and once probate was obtained he would use his inheritance to redeem the mortgage. He asked that the matter be taken back from Santander's solicitors to give him time to repay the mortgage debt.

Santander said it wouldn't recall the mortgage from its solicitors due to the fact no payments had been made since the mortgage term ended in May 2023 and it asked for further information about probate and the estate.

In May 2024 Mr X sent a budget planner to Santander (which showed no income, and a deficit of around £8,400 a month) and said whilst his preference was to settle the mortgage account from his uncle's estate, he was open to enter into a monthly payment plan instead using the funds from an ISA to make the payments. Over the next few months Santander attempted to call Mr X to discuss matters with no success, and it sent a letter asking him to get in contact.

Mr X complained to Santander, and then he sent a letter in November 2024 which he said set out his complaint in full (he'd previously expressed it over various emails to different parties).

Santander didn't uphold the complaint. It said the mortgage offer set out the mortgage term, and statements were issued every year which also contained the end date of the mortgage. It said it was unable to agree to a term extension as any application was subject to underwriting and monthly payments weren't deemed to be affordable. It said it needed to have a conversation with Mr X (or someone acting on his behalf) to explore all options and it doesn't communicate via email as it considers it a security risk. It apologised for Mr X's distress at receiving a visit from a field agent but said that it had written to him and not heard back so that was the next step. Santander said it wrote to Mr X in October 2023 to say that it would be passed to litigation, so it didn't agree it hadn't warned him before the instruction in July 2024. It said legal action would continue due to there being no solution in place to repay the mortgage debt, and whilst it can allow up to two years for a mortgage to be repaid it needs to be agreed, which it couldn't do with Mr X. It said it was awaiting a court date, and if Mr X wanted to provide information about his uncle's estate (which he'd said would repay the debt) then the solicitor dealing with the estate could provide that to Santander via an email address it provided.

The mortgage was repaid in April 2025, by which time the debt had grown to around £621,000.

Mr X referred the complaint to us later that month, and in doing so he said, to resolve matters, he wanted:

- An apology, and an undertaking that Santander will put different communication methods in place for vulnerable customers.
- Santander to put procedures in place to ensure all customers receive written notice of its policies when their mortgage terms end, and to ensure all customers receive fair and equal consideration of the application of those policies.
- A removal of all litigation and other charges on his account as a result of the action taken by Santander to recover the debt after the term ended.

- Santander to pay him an amount reflecting the interest incurred on the amount of the principal of the loan which would have been repaid had Santander agreed to enter a settlement. He said he would ask that two years' interest on £100,000 of the mortgage loan be refunded, to be calculated on the interest rate applicable to the mortgage from time to time and compounded as appropriate.
- Santander to pay £2,640, reflecting Mr X's legal costs in dealing with Santander's requests and responding to the legal proceedings.
- A payment of £5,000 compensation to him, and a further £5,000 payment to a charity of his choice.

Our Investigator upheld the complaint in part. He said Santander hadn't handled things as well as it could have done in terms of Mr X's vulnerability, and he awarded £300 compensation for that, but he didn't uphold the remainder of the complaint.

Santander accepted our Investigator's findings. Mr X didn't agree and so the case was 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.

I recognise that Mr X feels very strongly about this, and I thank him for the thoroughness of his submissions. 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 the right outcome.

To be clear, this decision only deals with the original complaint that was made. In his referral to our service Mr X said "I am writing to ask you to review a complaint which I made to Santander UK Plc ("Santander") on 17th November 2024, which was rejected by their letter of 25th November 2024." Whilst our Investigator mentioned issues that happened after then, those can't form part of my decision as they weren't the complaint that was referred to our service. I will only be considering the complaint that was dealt with in the final response letter of 25 November 2024.

Anything after that would need to be the subject of a separate complaint to Santander and then a new referral to our service. I understand Mr X was issued with a further complaint response letter whilst we've been looking at this complaint, but I can't add that onto this complaint which I understand is what Mr X wanted us to do. If Mr X wants us to consider that other complaint then he should let our Investigator know and they can arrange for a new complaint to be set up for that.

I'm aware of Mr X's circumstances, and I'm sympathetic to the considerable impact they have - and have had - on him. I've not gone into any detail about that in this decision to protect Mr X's privacy once the decision is published. But I'd seek to reassure him that I've read and taken into account everything he's said and provided about that.

We're not the regulator, and I've no power under our terms of reference to comment on, or otherwise determine, how financial businesses operate in general terms. I also have no power to order Santander to change its process for other customers going forward.

In considering complaints, the rules of the Financial Ombudsman Service require me to decide what is fair and reasonable in all the circumstances. In doing so, I take into account

relevant law and regulations; relevant regulators' rules guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

How financial businesses treat vulnerable customers is something the regulator, the Financial Conduct Authority, has looked at closely, and it published its 'Guidance for firms on the fair treatment of vulnerable customers' in February 2021¹.

Mr X has also mentioned MCOB (the Mortgages and Home Finance: Conduct of Business sourcebook), but MCOB isn't applicable to Mr X's mortgage. That's because Mr X's mortgage was taken out in 2003 so wasn't a regulated mortgage contract, as regulated mortgage contracts (and therefore MCOB) are only applicable to mortgages taken out from 31 October 2004. That said, much of what is in MCOB would have been considered good industry practice in 2003 so I will keep all that in mind when deciding this case, just like I would when considering a complaint about a regulated mortgage contract.

I've also taken full account of Santander's obligations under the Consumer Duty. As Mr X is aware, flexible mortgages like his are no longer available to new customers. That means Mr X's mortgage is what's known as a closed product and therefore Consumer Duty only applies to Santander's acts and omissions since 31 July 2024. Consumer Duty came into force on 31 July 2023, but implementation was delayed by a year for closed products.

Strictly speaking, therefore, Consumer Duty is only relevant to decisions Santander made after 31 July 2024. But in any case, I don't think it changes my view of this complaint. It's correct that Santander is required to act to deliver good customer outcomes, taking account of the various Consumer Duty obligations. But acting to deliver good customer outcomes doesn't mean that a firm must always do what its customers want, or that it can't take account of other considerations. And it doesn't mean that every customer will always achieve the outcome they want in every situation.

It's reasonable for a lender to expect a mortgage to be repaid at the end of the term – as both parties agreed would happen. But where that's not possible I would expect a lender to look at a borrower's situation fairly, show reasonable forbearance, and work with the borrower to find a way forward to work towards a point where it can be repaid. Having considered everything that happened in this case, I do think Santander acted fairly overall, albeit I agree with our Investigator that it could have handled some aspects better.

Mr X has said that Santander failed to clearly set out its policy in relation to repayments of debt after the end of a mortgage term but such a policy is commercially sensitive, and I wouldn't expect Santander to set that out to its individual customers.

Mr X has said that Santander failed to inform him of the need to arrange a rescheduling of the debt before the mortgage term ended in May 2023, but Santander wouldn't have known that Mr X wouldn't be in a position to repay the debt as he originally promised to. Santander had been sending letters most months (if not every month) for many years setting out his new mortgage debt as it was increasing month on month due to the reduced payments, as well as issuing the annual mortgage statements.

I understand Mr X had intended to sell a second property he owned, with him making that decision in late 2019, albeit he's told us that Covid and then his ill health meant he wasn't in a position to complete a sale. I've a great deal of sympathy for the situation Mr X found himself in, it is clear whilst he had a credible repayment strategy (the sale of his second property) he was unable to realise that in time for the term ending in May 2023. But that

¹ <https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf>

doesn't mean Santander did anything wrong in not asking Mr X if he wanted to reschedule the debt.

However, even if I had concluded that Santander should have had that conversation with Mr X before his term ended I don't think it would have changed anything. That's because any request (whether that be before or after the term ended) would have been considered the same way, that is an affordability assessment would have been completed to ensure Mr X had the available income to support the monthly payments that would have been required.

There are two options at the end of a mortgage term; either a formal term extension or if that either isn't wanted or isn't granted, extra time to repay the mortgage as a form of forbearance.

A formal term extension wasn't possible (even if Mr X had requested it before the term ended) because he didn't meet Santander's affordability assessment to show he had sufficient income to meet the monthly mortgage payments. Whilst I acknowledge Mr X held various assets, he didn't have a monthly income (rather than meeting the mortgage payments by liquidating assets or withdrawing money from an ISA). As a regulated mortgage lender Santander has a responsibility to ensure any contract variations like this are affordable, and unfortunately Mr X couldn't demonstrate that. The interest due on its own was over £2,000 a month, and between January and April 2023 (when Mr X stopped making payments) he was only paying £500 a month towards the mortgage. From the transaction history the last time Mr X had paid more than £520 in a month was between March and June 2017 when he paid around £4,060 a month. And despite having the details so he could make a bank transfer to this mortgage each month after the term ended, Mr X made no payments at all in the nearly two years until the mortgage was redeemed.

Mr X has said "...in the absence of any agreement, I do not agree that there should be any expectation on the customer to start making payments" and "I do not think it is necessarily wise for customers to make payments in the absence of a legal agreement which sets out the obligations of the parties and removes the immediate threat of possession proceedings."

But in the absence of any agreement to the contrary, then the original mortgage contract agreement stands. And that was that Mr X would make payments every month until he repays the entire debt. By choosing not to do so Mr X put himself at risk of legal action being taken and Santander viewing this as a mortgage where the borrower was unable to pay and so thus limiting any potential forbearance options available. A borrower can't simply choose to stop making monthly payments, even when the term has ended. Although the direct debit was no longer in force, as I've said Mr X had the bank details he needed to be able to make monthly payments by that means instead.

Mr X has said that Santander didn't respond to his requests to reconsider its decision, but Santander tried to contact Mr X for a number of months – including sending out a field agent – without success, until it sent a letter before action which prompted Mr X to get in touch. I understand Mr X was going through a very difficult time and didn't feel in a position to discuss matters with Santander, but without any contact at all (even by letter or email) Santander couldn't put anything in place as it needed more information to understand what Mr X's position was, what he wanted and what he could afford to do.

Whilst I understand Mr X's frustration, he was unable to demonstrate this mortgage was affordable on a monthly basis. He had the means to repay the mortgage if he chose to do so, and extending the term (bearing in mind how much the mortgage balance was increasing by) risked making his situation worse and wasn't in his best interests. Mr X strongly disagrees with this decision and whilst I appreciate his strength of feeling, taking everything

into account, I don't think Santander has treated him unfairly when it wouldn't formally extend the mortgage term.

When he took the mortgage out Mr X agreed that he'd repay the balance on, or before, the end of the agreed term. All other things being equal, it's not unreasonable for Santander to expect him to do that as he'd said he would.

Where a borrower is unable to pay, I'd expect Santander to show forbearance, and to work with them to reach a point where the mortgage can be repaid in the future if possible. But that isn't the case here. Mr X could repay the mortgage at the end of the term – he had a second property he could sell (as well as the property subject to this mortgage and an ISA). So, he did have the resources needed to repay the debt albeit I appreciate initially he wasn't in a position to sell the second property due to his health concerns, and then his uncle passed away so he would rather have waited until probate was settled and use funds from the estate to repay the mortgage.

I'd expect Santander to give fair consideration to any request to extend the term. I think it did that. I don't think it was unfair to note that Mr X had no monthly income and to be concerned about the impact of that on his ability to make the monthly payments over any extended term, not least when it looked at the level of payments Mr X had made in the years running up to the term ending, and that he hadn't made any payments at all since then. Based on what it knew of Mr X's finances at the time of the request, I don't think it was unreasonable for Santander to be concerned about a term extension, when there were legitimate grounds for being concerned about whether doing so would be affordable to him.

Taking all that into account, I don't think Santander's decision was unreasonable. Mr X had agreed to repay his mortgage at the end of the existing term and had the resources to be able to do so if he chose (if he felt unable to deal with the sale of his second property himself, he could appoint others to act on his behalf). The alternative, of extending the term, carried additional risks and so Santander concluded that, on balance, it didn't think those risks meant that a term extension would be in his best interests.

The second option, as I explained above, is for forbearance to be offered and that's what Santander did here. However, forbearance is only successful when both sides work together. I don't think it's unreasonable that Santander wanted to be kept up to date with Mr X's progress in working towards being able to repay his mortgage, not least because he hadn't made any payments to the mortgage since the term ended and so the balance was increasing each month.

I take Mr X's point that he previously had a good payment history and had various assets he could realise to repay the debt, as well as awaiting probate for his uncle's estate of which he was the sole beneficiary. I agree that from the point of view of the assets he had available he saw himself as a low risk to Santander. But it's not just about that; Santander is entitled to expect the capital balance to be repaid and in the meantime for payments to be made to at least cover the interest being accrued each month.

I appreciate this is something Mr X feels strongly about. But I'm not persuaded that Santander has acted unfairly. By the time it instructed its solicitors, in April 2024, the mortgage term had expired nearly a year before but Mr X hadn't repaid the capital nor had he made any monthly payments towards the interest and so the debt was increasing. Whilst Mr X had said he was awaiting probate, there was no guarantee when that would be obtained, or that Mr X would use the funds to repay the mortgage debt. Santander had allowed Mr X time to repay, but it had also made clear that progress needed to be made and it needed to be kept informed of what was happening. Even after it mentioned the possibility of instructing solicitors in October 2023, Santander didn't take that action until April 2024.

Mr X has said that Santander failed to substantively respond to his offers of repayment in April and May 2024. He says he explicitly offered to use his savings to begin repayments, and invited Santander to discuss repayment on a number of occasions. He said the only reason why no payments were made before the mortgage was redeemed was that Santander failed to respond to any of his requests, and that Santander's response to his April and May emails were to instruct solicitors in July 2024. But that's not what happened. Santander had already instructed solicitors in April 2024, in fact it was the letter to Mr X notifying him that was the next step (which was sent to him in March 2024) which prompted Mr X to get in touch after so long of him not responding to Santander's attempts of contact.

At that time Mr X told Santander that his uncle had died, and he asked that it bring the matter back from its solicitors and wait for probate. He said he anticipated being able to discharge the mortgage fully within the next few months. He provided a copy of his uncle's handwritten will. Santander said it wouldn't be looking to remove the solicitors due to the high arrears and that no payments were being made, and it asked Mr X for more information. It also asked Mr X to complete a budget planner so it could see what monthly payments may be affordable. Mr X provided the budget planner showing he had substantial outgoings and no income, albeit he said he could make monthly payments by taking money from an ISA. As Santander had some further questions its contact notes show it tried to contact Mr X over the next few months, however it was unsuccessful.

I understand Mr X preferred to deal with matters by email, whereas Santander was phoning him. Santander has explained why it didn't feel email was a secure method of communication. I think it's generally reasonable for a mortgage lender to want to have a conversation with its customers, to discuss their finances and wider circumstances, what assistance might be appropriate, and what – if any – arrangement can be reached. That's usually better done in a conversation rather than a series of letters or messages.

But sometimes a phone conversation isn't possible. It seems from what has been said, and occurred, this isn't a case where Mr X can't use the phone, but he's said it's difficult for him and that is understandable. The regulator's guidance on the fair treatment of vulnerable customers sets out the expectation that a lender should respond flexibly to the needs of vulnerable customers and I would expect Santander to take that into account, making reasonable adjustments where necessary. It accepted contact from Mr X by email, and it sent letters to Mr X, but he didn't contact Santander upon receiving those. It also sent an agent to visit Mr X in person, but that was also unsuccessful. Like our Investigator, I feel Santander didn't do enough to explore whether there was a way it could communicate securely with Mr X that didn't involve unplanned phone calls.

Mr X has said £300 fails to recognise the consequences of Santander's actions in continuing unwarranted litigation and lack of compliance with its regulatory obligations for over two years. But I've not upheld the part of Mr X's complaint about the actions Santander took in instructing solicitors; I don't agree the litigation was unwarranted so I can't award any compensation for the impact of that litigation on Mr X.

I appreciate Mr X is unhappy with how Santander has handled things and I agree there are things it could have done better with regard to how it treated Mr X as a vulnerable customer. Santander has agreed to pay the £300 compensation recommended by our Investigator for that, which I think is fair. That recognises that this was already a difficult time for Mr X – and Santander isn't responsible for that – and that it did show appropriate forbearance, but some of the ways it communicated (and failed to communicate) with him didn't recognise that Mr X was a vulnerable customer.

My final decision

My final decision is that Santander UK Plc should pay Mr X £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr X to accept or reject my decision before 25 February 2026.

Julia Meadows
Ombudsman