

The complaint

Ms A and Miss B's complaint relates to Ms A's mortgage with Santander UK Plc. They are unhappy that their application to replace an existing borrower with Miss B was declined. They believe the application was declined because of the type of application that was initially made, and then that which it was changed to. They're also unhappy that they were not initially told the application had been declined and don't think that decision was fair.

What happened

At the beginning of 2025 Ms A and her ex-partner had a joint mortgage with Santander. She needed to either sell the property to release the ex-partner's share of the equity in the property, or to raise funds by an alternative method to pay him the required amount. Santander would not change the mortgage into just Ms A's name as it was not persuaded that she could afford it. Ms A wanted to retain the mortgaged property and so she asked Santander to remove her ex-partner as the joint borrower and replace him with her daughter, Miss B. In addition, as Santander wouldn't lend Ms A any additional money, a second charge mortgage would be arranged to release the equity to pay her ex-partner the money required.

Between the summer of 2021 and June 2024, the mortgage had been in arrears, which at their peak in late 2023 exceeded £40,000. The arrears were capitalised in June 2024.

Ms A and Miss B approached Santander about making changes to the mortgage in January 2025. When the application was input into Santander's systems, it was declined as it was outside of Santander's lending criteria. Based on Ms A and Miss B's incomes, Santander determined the existing mortgage would not be affordable. It was proposed that Ms A would make a lumpsum payment to the mortgage balance, to reduce it to the amount Santander considered was affordable for them. Due to this, it also changed the type of application being made, from a change of borrower to a re-mortgage application. The application was declined and Ms A complained. She believed that the change in the type of application was the reason. Santander confirmed that this was not the case.

Unfortunately, Ms A was told on 27 March 2025 that if she paid the full mortgage payment for three months after an interest-only concession on the mortgage had ended, the application could be reconsidered. Once three payments had been made in full, Ms A reverted back to Santander at the beginning of May. The application was escalated on 8 May 2025 to see if an exception could be made and the application accepted. When the application was considered by underwriters, it was confirmed that the application needed to be rejected as Miss B would need to receive independent legal advice, due to the potential impact on her of being added to the existing mortgage. As Santander was unable to assess if she truly understood that impact, the application would need to be declined.

Santander was informed that Miss B had taken legal advice and was asked, if she provided evidence of this from the solicitor, whether the application would be approved. Santander didn't change its decision about the application, as it did not have the capacity to be sure that Miss B fully understood the impact of being added to the existing mortgage. Ms A received that confirmation on 20 May 2025 and Santander apologised for having previously

provided incorrect information. It confirmed that the application was simply outside of its lending criteria.

Ms A and Miss B applied to another lender for a mortgage for enough to both repay the Santander mortgage and raise the funds to pay Ms A's ex-partner the money needed to buy him out of the property. The application was accepted and a mortgage completed in July 2025.

Ms A raised several complaints in 2024 and 2025 about information she and Miss B were given and the service they received. Santander acknowledged that the service Ms A and Miss B had received fell short of what it should have been, and they had been given some incorrect information during the process. However, it was satisfied that it had made the correct decision about the application based on their situation.

Ms A and Miss B didn't accept Santander's response to their complaint and asked us to consider it. When they did, they said they had been given misleading information and differing reasons for the mortgage application being declined. They considered that they should have been told earlier that their application for a change of borrower had been declined.

One of our Investigators considered the complaint. He concluded that overall Santander declining the mortgage application was not unfair or unreasonable. However, he was satisfied that Santander caused delays in the process and, as such, it should pay £300 compensation for the inconvenience this caused Ms A and Miss B. In addition, the Investigator reminded Santander that it had said it would refund the £95 change of borrower application fee to Ms A.

Ms A and Miss B didn't accept the Investigator's conclusions. They said that they did not think the Investigator had fully addressed the extent of Santander's procedural failings or the significant detriment that had been caused. They said that the compensation recommended was inadequate and asked that the complaint be referred to an Ombudsman for consideration.

Santander accepted the Investigator's conclusions. It subsequently confirmed that the change of borrower fee had been refunded.

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.

In reaching my decision, I will have regard for the law, regulatory rules and guidance, and good industry practice where relevant, but my overarching responsibility is to decide what is fair and reasonable in the circumstances.

I would initially confirm that Santander is entitled to set its own lending criteria. Decisions that Santander makes in respect of what those criteria are, its attitude to risk involved in any particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for Santander's own commercial judgement. Generally, that judgement is not something that I would interfere with.

Santander has highlighted that adding Miss B to the existing mortgage was a complicated situation. When a lender considers an application it has to decide whether it would be responsible to agree to it, whether that be a new mortgage application or a change to an existing one. In this case there were concerns about Miss B being added to the mortgage,

given the value of the property and what that might mean in relation to stamp duty requirements. In addition, if Miss B were added to the existing mortgage, depending on how the individual credit reference agency handled the information, it could have a material impact on her credit file and affect her ability to obtain credit in the future.

As Santander is unable to ensure that a potential borrower such as Miss B has been given correct advice on matters it can't advise on, and so it can't determine if they fully understand the implications of the borrowing, its policy is not to lend. While this may seem unfair or harsh to Ms A and Miss B, Santander has a responsibility to only lend - and the application would be considered a lending decision for Miss B - if it can be satisfied that it is in the best interests of the borrower. As it could not do so in this case, it was not unreasonable for it to decline the application.

That said, Santander was aware that this was the situation three months earlier than it declined the application. So clearly, it caused delays in the process and at times unreasonably raised Ms A and Miss B's expectations.

In relation to the delays, I have considered if Ms A and Miss B have suffered a financial loss due to the delay in Santander declining their application. They have highlighted that the interest rate on the new mortgage is higher than it would have been on the existing Santander mortgage. That is true, but Ms A and Miss B would never have been able to continue with the Santander mortgage and would always have had to seek a new mortgage elsewhere and, given the history of the existing mortgage, that would likely always have involved a higher rate than a high-street lender would have offered. Ms A has not provided details of the interest rate they are paying on the new mortgage, but, in general, interest rates dropped between March and June 2025 when they received their mortgage offer, so it seems unlikely that the delay in the new mortgage being applied for would have the increased interest rate Ms A and Miss B are paying.

As for the costs Ms A and Miss B have asked to be refunded – those associated with the broker and a lender fee – these costs would always have been incurred, no matter when Santander declined the application made to it.

That said, Santander did raise Ms A and Miss B's expectations and the service they received overall was not what it should have been. I have considered the situation carefully, and it is clear that it would have been worrying and stressful in general, given the reason for the application. Santander's failings would have added to that, but it is only the additional worry and stress that I can make an award for. I have considered the amount the Investigator recommended, and I am satisfied that £300 is fair and appropriate in the all the circumstances.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement of the complaint, I require Santander UK Plc to pay £300 compensation for the additional stress and worry its poor service caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms A and Miss B to accept or reject my decision before 13 March 2026.

Derry Baxter
Ombudsman