

The complaint

Mr and Mrs G complain that Santander UK Plc has treated them unfairly when they've experienced financial difficulties with their mortgage.

What happened

Mr and Mrs G have a mortgage with Santander. They originally took the mortgage out in 2013, and they've been in arrears most of the time since 2014. Santander has taken legal action, with a possession hearing taking place in 2022.

Over the years Mr and Mrs G have made several complaints to Santander and to us. In 2023, one of our investigators said that most of what Mr and Mrs G had asked us to look at couldn't be considered because it was out of time. She said that Mr and Mrs G had raised four new complaints with us which Santander should be given the opportunity to comment on first. She therefore closed that file and said that Mr and Mrs G should come back to us if they were still unhappy once Santander had considered and replied to their complaint. Those four complaints were:

- 1) Santander wrongly told them they didn't need to attend the possession hearing in 2022. They didn't attend and the court held that against them.
- 2) The monthly payment on their mortgage had increased eleven times between 2022 and 2023.
- 3) Santander continues to charge them interest even though they've asked for help with the mortgage.
- 4) Santander's actions have resulted in high levels of stress and impacted Mr G's health.

Mr and Mrs G added a further complaint:

- 5) Santander had required them to take out a mortgage indemnity guarantee insurance policy when taking out the mortgage. They now understood this had only covered them for five years and not for the whole duration of the mortgage.

Santander responded to those complaints in December 2023. Mr and Mrs G asked us to look into them in February 2024. Mr and Mrs G later made further complaints to Santander, and those additional complaints have also been considered under this complaint reference. Those further complaints are:

- 6) Santander has applied legal fees and charges, and a rent payment, to the mortgage balance in 2023 and 2024.
- 7) Santander opposed an application Mr and Mrs G made to the court for a time order, leading to the court rejecting their application and issuing a possession order.
- 8) Santander failed to use the mortgage indemnity policy.

Another ombudsman has issued a decision setting out which parts of this complaint we can and can't consider. She said we could consider complaints 2, 3, and 6. They had not been brought out of time and were not duplications of previous complaints we had looked at. But she said we shouldn't consider the complaints about the court proceedings, because those were matters better dealt with by the court. And the complaints about the indemnity policy were out of time.

An investigator then considered complaints 2, 3 and 6. He said that Mr and Mrs G's mortgage was on Santander's standard variable rate (SVR) and had been since a previous fixed rate had expired some years ago. During 2022 and 2023 the Bank of England had increased base rate 13 times. While the SVR wasn't directly linked to base rate, base rate was one of the factors Santander could take into account in setting the SVR. He didn't think the interest rate had been set unfairly. And he didn't think it was unfair that Santander continued to charge interest even though Mr and Mrs G were experiencing financial difficulty. He said it was entitled to add legal fees to the balance, and it was reasonable to pay ground rent arrears to protect its security. Mr and Mrs G didn't agree and asked for the complaint to be reviewed by an ombudsman.

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.

Mr and Mrs G's property is a shared ownership property. They own part of it (subject to Santander's mortgage), with the rest owned by a housing association. It seems Mr and Mrs G have been in rent arrears for many years. I've seen a number of letters the housing association has sent to Santander notifying Santander that the housing association intends to repossess the property because of rent arrears. I've noted that Mr and Mrs G say they were in discussion with the housing association and there was never any question of it repossessing their property. But I'm afraid that's not what its letters to Santander say.

If the housing association did take possession, Santander would risk losing the security for its own lending. The mortgage terms and conditions allow it to make payments to protect its security. I can see that there was an agreement in early 2024 that Santander would pay the rent arrears of around £6,200 in return for the housing association agreeing not to pursue repossession. I don't think this was unfair. It's something Santander was entitled to do to protect its own position. And it doesn't change the fact that Mr and Mrs G owe this sum, whether to Santander or the housing association. But it removed the immediate risk that the housing association would repossess their home.

Santander also added legal fees to the mortgage balance, to reflect the costs charged by its solicitors in dealing with the repossession action. Again, it was entitled to do this under the mortgage terms and conditions. And I don't think it was unfair. The costs reflected the work done by the solicitors – which was not unreasonable given the level of arrears, the complication of this being a shared ownership property where the shared owner was also taking action, and Mr and Mrs G's own applications to the court.

I've also thought about the fairness of interest charged to the mortgage, but I don't uphold this part of the complaint either. The mortgage is on the SVR, which varies depending on a range of factors, one of which is Bank of England base rate. The SVR did increase a number of times during 2022 and 2023, but so did base rate over the same period. I'm satisfied that Santander was entitled to change the SVR, and in changing it by less than the overall amount that base rate changed by, I don't think it acted unfairly. I wouldn't expect a mortgage lender to stop charging interest where a borrower is in financial difficulties – it should explore what can be done to assist the borrower getting things back on track, but that

doesn't generally include waiving interest altogether. So I don't think it was unfair that Mr and Mrs G's mortgage continued to be subject to interest.

I'm sorry to hear of Mr and Mrs G's situation and wider financial difficulties. I agree with my ombudsman colleague that we can only consider parts of their complaint. I have considered everything they've said, but for the reasons I've set out above I'm afraid I can't fairly uphold those parts of the complaint I can consider.

Although I can't consider any complaint about it, it might help Mr and Mrs G if I explain in general terms how a mortgage indemnity guarantee insurance policy works. An indemnity guarantee is an insurance policy, paid for by a borrower but taken out by and for the benefit of a lender. It was common some years ago on loans with a high loan to value. Where a mortgage defaulted and the lender was left with a shortfall, the lender could claim on the policy to cover the shortfall. But that was only possible after a repossession and sale, and only to cover a shortfall. A mortgage indemnity guarantee does not pay off the whole mortgage if the borrower experiences financial difficulty short of repossession, and it does not benefit the borrower at all. So even if I could consider a complaint about the policy in this case, it wouldn't be relevant to Mr and Mrs G's circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 6 January 2026.

Simon Pugh
Ombudsman