

The complaint

Mr M complains that Santander UK Plc did not treat him fairly when the term of his interest only mortgage ended.

What happened

In 2012, Mr M took out an interest only mortgage with Santander. The term ended in March 2023. Both before and after the term ended he made a number of lump sum payments to reduce the mortgage balance to around £20,000. Mr M said that Santander refused to enter into a formal repayment plan for the remaining debt and suggested that he should keep making repayments. But it then instructed solicitors to recover the debt.

Mr M said that Santander accepted an offer he'd made to repay the debt – but the solicitor failed to tell him and continued recovery action. Mr M said that the solicitor then did not deal properly with further proposals he made and that resulted in a court hearing.

Mr M complains that Santander and the solicitors acting on its behalf have not treated him fairly and as a result he said he's been charged almost £3,000 in legal fees.

The investigator noted that Santander's solicitors had already refunded some of the fees and had paid Mr M £75. She thought Santander should refund any fees incurred after February 2024 and pay Mr M a further £300 for any distress and inconvenience this matter has caused to him.

Santander accepted what the investigator said. Mr M did not. He said that Santander should refund the fees it charged before February 2024.

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.

When Mr M took out the mortgage with Santander he agreed to repay the balance in full by March 2023. When he did not do so he was in breach of contract and Santander was entitled to take action to recover the debt – including taking legal action. But it had a duty to treat Mr M fairly. We'd usually expect Santander to explore any options available to Mr M and to give him a reasonable amount of time to put in place any plans he had to repay the balance.

Before the term ended Mr M told Santander that he expected to repay the balance shortly after the term ended. I can see that after the term ended Mr M said he'd need more time to repay the balance and explored extending the term of the mortgage. But no options were pursued by Mr M or formally agreed by Santander. In the circumstances, I consider it was reasonable for Santander to instruct solicitors to recover the debt in December 2023. The term had ended over nine months before then and Mr M had not put forward any clear or realistic plan to repay the mortgage. Santander gave Mr M details of debt advice charities in some of the letters that it sent him.

Looking at what happened, I consider that Santander acted fairly and reasonably up to February 2024. It was reasonable for it to instruct solicitors, and it was entitled to pass on its costs to Mr M. So I see no reason to say that Santander should refund any costs it passed to Mr M up to February 2024.

In February 2024, Mr M made a proposal to Santander to repay the balance by lump sum payments in February, March and April 2024. Santander told its solicitors that it agreed to the proposals. But the solicitors did not pass that information to Mr M.

In April 2024, Mr M told Santander that he was planning to remortgage. It told him that it needed evidence of that and that repossession remained a possibility. In May 2024, Mr M found out Santander had, in fact, agreed the proposals he made in February 2024. He told Santander that he had other financial pressures so prioritised other things instead and could no longer make the payments he'd proposed in February 2024.

Mr M complained to the solicitors, including that they had not told him that Santander had approved his plan to repay the mortgage. Mr M later accepted compensation from the solicitors on the basis that the complaint and any other service complaints about the solicitors or relevant individuals in relation to his complaint about the solicitor was withdrawn with not further action. In those circumstances, I could not fairly or reasonably require Santander to compensate Mr M for anything the solicitors did or did not do.

Mr M repaid the mortgage. But he is unhappy with the fees applied by Santander's solicitors.

Santander has agreed to refund all legal fees applied since February 2024. I think that is fair. It reflects that there was a breakdown in communication between Santander and the solicitors acting on behalf of Santander. It seems likely that some if not all of the action could have been avoided if Santander had done more to make sure the solicitors understood the correct position.

Santander said that the fees applied since February 2024 that have not already been refunded total £1,028.85. It should make sure that includes all fees applied since that date and provide a breakdown to Mr M.

Mr M also said that Santander and its solicitors did not deal fairly with further proposals made by him. I accept that those requests were not handled reasonably. But as I have explained, Mr M has already accepted compensation from the solicitors for their acts and omissions. So my award here is only intended to compensate Mr M for any distress and inconvenience caused directly by Santander – not anything the solicitors did or not do to contribute towards that.

Mr M has been caused some avoidable distress and inconvenience because of what happened. In all the circumstances, I consider that £300 is a fair amount to reflect the distress and inconvenience caused by Santander's mistakes, taking into account that Mr M knew that the balance of the mortgage remained overdue.

My final decision

My final decision is that Santander UK Plc should:

- Refund all legal fees and disbursements applied since 1 February 2024 that have not already been refunded – along with any interest applied while the fees were on the mortgage.
- Pay interest at 8% simple per year from the date each of the fees was repaid until the date Santander settles this complaint. If Santander considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.
- Pay Mr M £300.

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

Ken Rose
Ombudsman