

The complaint

This complaint's about a mortgage that Mr O used to hold with Santander UK Plc, jointly with another party. Mr O complains that in 2009, when switching the mortgage to interest-only for a period, Santander also capitalised arrears without his knowledge or informed consent. He says the long-term effect of the resulting increase in the mortgage balance has caused him financial hardship.

The joint borrower was asked if she wished to join the complaint. She declined to do so, but I'm satisfied I can fairly look into the complaint in terms of whether and how Mr O alone may have suffered detriment.

What happened

The broad circumstances of this complaint are known to both parties. I'm also aware that the Investigator issued a detailed response to the complaint, a copy of which has been sent to both parties, and so I don't need to repeat all the details here. Our decisions are published, and it's important that I don't include any information that might result in Mr O being identified.

Instead, I'll give a brief summary of the key events in my own words, rounding figures where necessary, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

The mortgage started with a lender that subsequently became part of Santander; the start date preceded the introduction of mortgage regulation in October 2004, which means this was and remained an unregulated mortgage contract until it was redeemed. For simplicity's sake, I'll refer to the lender as Santander throughout. The mortgage was on a capital repayment basis, but in 2009 Mr O and the joint borrower signed an agreement for it to be switched temporarily to interest-only. At the same time, existing arrears of around £1,400 were capitalised. Another capitalisation took place in 2010, and the mortgage term was extended. In 2011, the mortgage was changed back to capital repayment, and the term extended again.

The mortgage was repaid in full in early 2025. Mr O then complained that the capitalisation had been carried out without his knowledge and consent. The case is with me now because our Investigator doesn't recommend the complaint be upheld.

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.

Although the capitalisations happened in 2009 and 2010, the mortgage was only redeemed earlier this year and that was when the relationship between Mr O and Santander came to an end. I can therefore consider whether as a result of the capitalisations the relationship was unfair or not at the time it ended. On balance, however, and having considered all of the

available evidence time, I'm not persuaded on the balance of probabilities that the capitalisation created an unfair relationship that in turn caused detriment to Mr O.

It's not in dispute that capitalisation of mortgage arrears comes at a cost; it merges the arrears into the overall balance on the mortgage, in order that arrears are repaid over the remaining mortgage term. This adds to the lifetime interest cost and increases the monthly payment. Mr O sees this as the financial detriment for which he seeks redress.

It's true that capitalisation can make the mortgage more expensive over the longer term. However, there can also be a benefit that capitalisation brings in exchange for that cost. That needs to be taken into account too, alongside consideration of the likely financial impact that would otherwise have resulted if the arrears had not been capitalised when they were. The regulator's rules therefore require that lenders should consider whether capitalisation is appropriate – but shouldn't capitalise without consent. With the passage of time, I can't know with any reliability whether consent was or wasn't provided here. But even if I proceed on the basis that it was not given, I'm not persuaded that omission caused Mr O detriment.

Mr O has said that he expects us to quantify the costs and benefits, but that's not possible. It's not possible to know exactly how his mortgage account would have operated between 2009 and redemption in 2025 if capitalisation had not taken place. But I don't think such a precise quantification is needed in order to reach a fair conclusion on the balance of probabilities. I'll explain why.

The available evidence points to Mr O having to deal with financial difficulties over an extended period, during which he consulted, and received guidance from, third party debt advisors. With that pattern in mind, it's reasonable to conclude that the difficulties he already was navigating throughout the relevant period would have been more severe, and harder to resolve, if they had happened against a backdrop of continuing arrears that needed repaying over a shorter timeframe. Because that was the alternative to capitalisation; capitalisation meant the mortgage was no longer in arrears, with the arrears added to the monthly payments over the remaining term. But without capitalisation Mr O would either have had to pay off the arrears immediately, or come to an arrangement to clear them over a longer period – during which the mortgage would have remained in arrears.

Managing that situation would have brought its own costs, such as ongoing arrears management fees, the possibility of legal action by Santander to recover the arrears by enforcing its security through a payment arrangement underpinned by a suspended possession order, and the ongoing impact on Mr O's credit file whilst paying off the arrears. Aside from the financial burden of such action, there would also have been the additional stress to Mr O of having to try and deal with it. The capitalisations in 2009 and 2010 reduced those immediate threats and pressures.

Putting all of the above together, and balancing the known cost against the likely benefit, I can't find that the capitalisation of arrears in 2009 in 2010 meant that there was any unfairness in the relationship between Mr O and Santander by the time the mortgage was redeemed in 2025.

There's an additional element to the complaint, that relates to how Santander treated Mr O when he raised the complaint. He's unhappy that Santander required him to make a data subject access request (DSAR) to retrieve the historic documents on which the investigation has been based. Overall, I'm not persuaded that was the wrong thing to do.

A DSAR increased the likelihood of the maximum volume of archived documents being located and collated in a reasonably orderly fashion, which itself would be an aid to a complaint investigation. Also, it would be difficult to conclude that Mr O's ability to pursue his

complaint was somehow compromised, given that he has been able to bring it to this service for independent consideration.

My final decision

My final decision is that I do not uphold this complaint or make any order or award against Bank of Ireland (UK) Plc.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 2 February 2026.

Jeff Parrington

Ombudsman