

The complaint

Mrs W complains about the impact of Santander UK plc's failure to inform her that she could have a lower interest rate on her mortgage, at a time when she was struggling to clear arrears. She told us how this impacted her, and that the house eventually had to be sold.

What happened

This mortgage was jointly held between Mr and Mrs W, however, in the circumstances of this case, our service has agreed to consider this complaint for Mrs W alone.

Around 2018, Mr and Mrs W started to experience occasional difficulties paying their mortgage. These problems worsened in 2019, when Mrs W had attempted to complete a course of study alongside work. Mrs W gave up that course to return to work, but she and Mr W then separated, and her hours at work were cut. So Mrs W was never able to get back on top of the mortgage arrears. She subsequently made the decision to sell her home, and the mortgage was redeemed on 19 July 2023.

Mrs W has set out in detail how this issue affected her. I won't set that very personal information out here, I will simply note that I have taken full account of what she has told us. I note that many of the details Mrs W has mentioned, about the condition of her home at this time, about the way she and her family were living, and about the emotional impact this had on her, are also supported by the contemporaneous notes Santander made of her calls.

Mrs W said well after her home had been sold, in March 2025, she and Mr W received letters from Santander, explaining that they had overpaid on their mortgage. They could have been offered a lower interest rate in March 2020. Santander worked out what they would have paid if this rate had been applied, and it paid back £8,600.28, split between the two people named on the mortgage.

Mrs W complained, and Santander paid £800 in compensation, again split between her and Mr W. Mrs W said this didn't come close to making up for the impact this had on her. She now knew that everything she'd been through, up to and including losing her home, hadn't been necessary after all.

Mrs W also said Santander had paid half of the money to the other person named on the mortgage, but Mrs W had been paying this mortgage by herself, and Santander knew that. She was the one who experienced the impact of struggling with these payments, and losing what was then her home. She didn't think it was fair to give half of that money to Mr W.

Santander said it could have offered Mr and Mrs W a lower interest rate on her mortgage in March 2020. So it had worked out how much lower the mortgage payments would have been if this lower rate had been applied, and paid back anything they had paid over this amount. It had added 8% simple interest on this amount.

When Mrs W complained, Santander said it could see Mrs W had tried to repay the mortgage throughout the time when she could have benefited from the lower interest rate. It had reconstructed her mortgage, and if the lower rate of interest had been applied, then it

said the payments she made would have covered the interest during that time, and there would have been no arrears outstanding by December 2020. There would've been a short period from March 2021 to August 2021, when a small amount of arrears would've accrued but again this would've been repaid sooner under the lower interest rate.

Santander said it could see that this had impacted Mrs W, so it offered her an additional £800 in recognition of that.

Our investigator didn't think this complaint should be upheld. He said it was difficult to say whether a lower interest rate would have meant the long term payments would have been affordable and Mrs W could have kept the property. He said there were indications that Mrs W was struggling to cover those payments on the wage she was earning. So he thought it was unlikely she would have been able to afford to stay in the property long term. And in the light of that, he thought Santander's payment was fair and reasonable.

Mrs W didn't agree. She said that she'd been trying to manage her mortgage payments, and if a lower rate had been offered, she would have been able to keep making the payments. She said she'd asked for a lower rate, and been told she wasn't eligible. Mrs W repeated just how much of an impact this had on her.

Because no agreement was reached, this case came to me for a final decision. I considered the case, and I reached a provisional decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Santander has worked out what would have happened if a lower interest rate had been applied to this mortgage, and it says if the same payments had been made, but a lower interest rate applied, Mrs W would have cleared her mortgage arrears in December 2020. She'd have experienced a short period of arrears again in 2021, but that also would have been cleared relatively quickly.

I've looked at the figures Santander has supplied, showing how it recalculated Mrs W's mortgage. I can see what she did pay, and what she ought to have been paying, between April 2020 when the new rate ought to have been applied, and July 2023 when Mrs W sold her home.

I think Santander is right to say that Mrs W would have cleared the arrears on her mortgage in 2020, if this new rate had been applied. I note that Mrs W would also have had more disposable income, which would have helped to alleviate the increasingly difficult circumstances that she and her children found themselves in, during this time.

I understand that this had a number of impacts on Mrs W. Before I address the impact on her personally, I'd like to note that this would also have affected her credit file. I think Santander should amend Mrs W's credit file now, to reflect its conclusions on when these arrears should have been cleared.

Turning to the personal impact on Mrs W, I don't agree that a payment of £800 is enough to reflect the impact on Mrs W. I would not suggest that any payment will make up for the experiences that Mrs W has told us about, and in particular, the thought that she may not have needed to sell her house. But I do need to consider how this issue has impacted her, as part of deciding what our service would consider an appropriate resolution for circumstances like this.

Like our investigator, I can't say whether or not Mrs W would have been able to meet her mortgage payments in the longer term. I note that this mortgage was interest only, and it's not clear Mr and Mrs W had a plan to pay off the balance at the end of the mortgage period. I think it's likely this property would eventually have had to be sold. But I also think that if Santander had offered Mrs W the lower interest rate it now says ought to have been available to her, then the property would not have been sold in 2023. And Mrs W would not have experienced the extremely challenging three years prior to this.

Our service divides the awards we make into broad categories. I think the circumstances Mrs W has described, and which I do think are the result of Santander's mistake here, fall into the category for awards of up to £5,000. Our website explains our service makes awards of this size "*... where the mistakes cause sustained distress, potentially affecting someone's health, or severe disruption to daily life typically lasting more than a year. ... Examples at the higher end could include where the effects of the mistake are irreversible or have a lasting impact on someone's health or even resulted in a personal injury.*"

I think the mistake Santander made here does fall squarely within the higher end of this description, so I will ask it to make sure Mrs W receives an award at the top of this category, providing total compensation of £5,000. Santander has already paid compensation of £800 in this case. I know Mrs W says that money was split between her and her then husband although she was paying the mortgage alone at the relevant time, but I note that they were then reconciled, meaning I'd anticipate this payment by Santander increased the overall household income. So I do think it's fair and reasonable to say Santander can count the payment of £800 it has already made towards the amount of £5,000 I'm suggesting here.

That means Santander should pay Mrs W £4,200 now.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides responded.

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.

Mrs W replied to accept the provisional decision. She said she had nothing to add.

Santander replied to object, and to provide detailed commentary on my provisional decision. It wanted to stress that the project it had undertaken to identify customers who could have been offered a lower interest rate was an internal project, not something which had been externally imposed on the bank. It had wanted to find and to put things right, for customers who could have been offered a lower interest rate when they got in touch with the bank.

Santander said it had paid the offered compensation to Mrs W, not split between her and her husband, as I'd thought. And it said it had already amended Mrs W's credit file.

Santander said it did think Mrs W could have benefitted from a lower interest rate from 6 March 2020, and it had made a sizeable refund in respect of money Mrs W didn't need to pay at the time. But Santander said that didn't mean it hadn't supported Mrs W. It said it had offered Mrs W a payment holiday from April to June 2020, and then again in December 2020 and January 2021. Santander said it had also offered Mrs W arrangements to structure the arrears on her mortgage.

Santander said it had requested income and expenditure information from Mrs W a number of times and not received that information. It said the difference in monthly payments between March 2020 and August 2022 didn't exceed £134. Santander said that in August 2022, Mrs W's income and expenditure information showed a deficit of around £170. But Santander said Mrs W's expected monthly payments had gone up by then, and if she had been on the lower rate which it could have offered, the mortgage could have been paid.

Santander said in January 2022 Mrs W broke her previous payment arrangement, and it did discuss a lower interest rate with her. Santander said Mrs W was due to call back and review this, but Santander didn't think she had called back.

Santander said it felt that its offer of £800 in compensation factored in the general conduct of the account, the impact an offer of a lower interest rate would've had on Mrs W, her ability to repay the arrears over the course of the review period and the help Santander continued to offer Mrs W during a financially difficult time. Santander said Mrs W had never complained about the interest rate on her mortgage, and it was only since she had received a refund of overpaid interest that she indicated what had happened had caused her significant distress and inconvenience. Santander felt that its refund, plus the £800 already paid to Mrs W was sufficient in the circumstances.

I recognise that it is to Santander's credit that it has proactively addressed the issue of not having offered a vulnerable customer an available lower rate, at the appropriate time. However, that doesn't lessen the impact on Mrs W of what has happened here. Nor is Mrs W's complaint here undermined in any way by her not having realised at the time that she could complain about the interest being charged on her mortgage.

I note that Santander did offer Mrs W payment holidays under the national arrangements put in place by all banks to support customers through the pandemic, and it kept in touch with Mrs W about her payments. Santander now says it did discuss a lower interest rate with Mrs W in January 2022, but it hasn't suggested Mrs W was offered the rate at this time. And it is relevant that Santander's own remediation was done on the basis Mrs W should have been offered that lower rate almost two years earlier.

My provisional decision was that, whilst Santander had refunded the extra money Mrs W should not have been charged for this mortgage, it hadn't taken account of the impact that not being offered a lower interest rate had on her. I do think Mrs W would have been likely to have to sell her home when this mortgage term ended, but she ought not to have had to sell in 2023.

I have also referred to an extremely challenging period that Mrs W went through in the three years before that sale. I do not think it is correct to say Mrs W hadn't told Santander about the difficulties she was experiencing, or the very significant impact this was having on her, at the time. Whilst my provisional decision doesn't set that impact out in detail, I noted that the very personal information Mrs W had shared with us, was supported by the notes Santander made at the time. So I had understood Santander was aware of the impact that these arrears had on Mrs W. I note Santander refers now to Mrs W not having called back after a conversation in January 2020, which followed two years of struggling with her mortgage arrears. I'd refer Santander to the contemporaneous notes it made of its next conversation with Mrs W, which record the mental health struggles that Mrs W was having at the time.

For the above reasons, I remain of the view that the mistake Santander made here does fall squarely within the higher end of the category for awards of up to £5,000. So I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Santander UK Plc must pay Mrs W £4,200 in compensation. Santander UK Plc must also amend Mrs W's credit file now, to show no arrears outstanding by December 2020, and then arrears recurring from March 2021 to August 2021 only. It must remove any arrears showing on Mrs W's credit file after this date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 9 February 2026.

Esther Absalom-Gough
Ombudsman