

The complaint

Mr S complains that Santander UK plc began legal action to repossess his property without notifying him in advance and wouldn't extend the term of his mortgage.

What happened

Mr S's interest-only mortgage with Santander came to the end of its term in August 2024. Mr S told Santander that he was in the process of selling properties abroad and he would use the proceeds of the sales to repay the mortgage. Between August 2024 and March 2025 Santander agreed not to take further action to recover the mortgage debt, subject to Mr S giving it regular updates.

Mr S was in regular contact about the proposed sales. But in May 2025 he received a letter about legal action being taken to recover the mortgage debt. He made a complaint. He said he had understood that no further action would be taken as he was in the process of arranging repayment by selling assets, and he hadn't received any notice of Santander's intention to instruct solicitors. He was unhappy with the legal fees that were then added to the mortgage and that Santander hadn't extended the term to give him more time to repay.

Santander said it had written to Mr S in March 2025 asking him to contact it to arrange repayment, otherwise it would instruct solicitors. It noted however that Mr S had called it shortly after it sent the letter, and said its advisor should have discussed the letter and the pending solicitors' instruction but didn't do so. It paid Mr S £100 by way of apology. But it said the mortgage would remain with solicitors because there was still no firm plan in place for repayment.

Mr S referred his complaint to us. Santander told us it wanted to offer him a further £400 compensation, making a total of £500, because the instruction of solicitors would have come as a shock to him. Mr S wasn't prepared to accept that.

Our Investigator initially recommended that Santander consider a two-year term extension on Mr S's mortgage and refund the legal fees it had charged. Santander didn't accept that. It said in summary that it had given Mr S consent to let the mortgaged property in 2023, he wasn't living there, and it wasn't appropriate to extend the interest-only mortgage. It considered litigation was inevitable given that the mortgage was still outstanding in late 2025, so it wouldn't refund the legal fees. It said it would suspend legal action if Mr S could show that a sale of the property abroad was imminent and would generate enough to clear the mortgage balance.

The Investigator reconsidered the complaint in light of the fact that the mortgaged property is let and isn't Mr S's home. She concluded that Santander's offer of £500 compensation was fair in the circumstances. Mr S didn't accept that and asked for an Ombudsman's review. He still considered that Santander hadn't treated him fairly and that he shouldn't have to pay the legal fees. He also said he was reducing the mortgage balance each month and will continue to do so, so the mortgage will be repaid within two years even if he can't sell other assets to realise a lump sum.

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.

The term of Mr S's mortgage came to an end in August 2024. Santander was entitled to expect the mortgage to be fully repaid at that point. I think that Mr S should reasonably have known he would be expected to repay the capital then – he had agreed when he took the mortgage out to repay it in full in August 2024, and Santander had written to him multiple times in the years leading up to the term end reminding him about that.

Santander should have treated Mr S fairly when he said he wasn't in a position to pay back the capital he had borrowed. I think it did that initially – it discussed his situation with him and put further action on hold to give him time to sell other assets. However, in March 2025 Santander says it sent Mr S a letter before action. That letter gave him 15 days to contact it to arrange repayment and said Santander would instruct solicitors if he didn't do so. Mr S contacted Santander less than a week later – but Santander's representative didn't mention the letter and the planned legal action, and Mr S says he didn't know about it because he hadn't received the letter before action.

Santander's records say that the letter before action was sent in March 2025. Mr S says he has a mail redirection service in place because he doesn't live in the mortgaged property, and he has received all other letters in connection with the mortgage but not the March 2025 letter. I note that he had been in regular contact with Santander, and I think it likely that he would have phoned it had he received the letter. The letter not being received doesn't however mean it wasn't sent – I think it likely that it was.

In any event, Santander has accepted that it didn't give Mr S enough warning before it instructed solicitors and it took action too early. Mr S was in touch with it and I think it should have made clear to him that it was considering litigation. Importantly, however, if it had done that I don't think the position now would ultimately be any different, for the reasons I'll explain.

Santander has said that had it not instructed solicitors in April 2025 it would have done so later that year because the mortgage still hadn't been fully repaid, and in the circumstances I accept what it has said. While Mr S was able to sell one of his properties abroad in February 2025 and he then made payments to Santander to reduce the mortgage balance significantly, there was still a balance outstanding on the mortgage in early 2026 – around 18 months after the term ended.

If Mr S had been in a position to clear the remaining balance then it seems likely he would have done so by now. He has been making inroads into the balance through his monthly payments, but that isn't an arrangement Santander has agreed to. It appears that the other assets Mr S was trying to sell haven't sold, and I understand that he has looked into remortgaging but found that doing so would be expensive.

In the circumstances, I can't see that Mr S would have done anything differently to stop solicitors from being instructed. Santander had agreed holds on further action in 2024 and early 2025 but Mr S wasn't in a position to repay the mortgage in full. I don't think a term extension would have been appropriate given that Mr S told Santander he expected to sell other property quickly and to be in a position to settle the mortgage close to the existing term end date. I must also bear in mind that the mortgaged property isn't Mr S's home, there is equity in it, and, while it's unfortunate that Mr S was unable to sell assets to repay the mortgage as quickly as he expected, overall I think Santander gave reasonable forbearance.

In the circumstances, I can only reasonably conclude that Santander would by now have instructed solicitors in any event, had it not already done so in April 2025. The legal fees it has added to the mortgage would therefore always have been incurred and been payable. They would have attracted less interest if they had been added to the mortgage later, but Santander's offer of £500 compensation is a substantial award and I think it's reasonable to cover both the distress and upset Mr S was caused and the extra interest he has been charged on the fees. In the circumstances, I find I can't fairly require Santander to refund the fees.

I recognise that it was stressful for Mr S to receive a letter saying that Santander had instructed solicitors when he wasn't expecting it. Santander has accepted that and offered him a total of £500 compensation. I think that's fair in all the circumstances to reflect the stress and upset he was caused, as well as the extra interest on the legal fees because they were added to the mortgage when they were. There is information on our website about awards the Financial Ombudsman Service makes.

I know this isn't the outcome Mr S was hoping for, but I hope he is able to find a way forward for repayment of the mortgage. I encourage him to keep Santander and its solicitors up to date with his plans and I remind Santander of its obligation to treat him fairly.

My final decision

My final decision is that Santander UK plc has made a fair offer of compensation. It should pay Mr S £400 compensation, on top of the £100 it has already paid him, if it hasn't done so already and if Mr S accepts my decision.

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

Janet Millington
Ombudsman