

The complaint

Mr and Mrs S's complaint is about an application they made to Santander UK Plc to port (transfer) their mortgage interest rate product onto a new mortgage on a new property purchase.

Mr S, who has dealt with the complaint throughout, says Santander gave them contradictory information, messed them about for several months and left them with no option but to apply for a mortgage with another lender.

Mr and Mrs S want Santander to reimburse the early repayment charge (ERC) they had to pay on redemption of their mortgage, and the fees incurred in taking out a mortgage with a new lender. Mr S says that he and Mrs S have also lost out on the better fixed interest rate they had on their Santander mortgage, and believe Santander should cover the cost of this. Mr S also wants Santander to compensate him and Mrs S for the emotional distress they were caused, and for all the time he had to spend trying to sort out the mortgage application.

What happened

The basic background to this complaint is well known to both parties so I won't repeat the details here. Our decisions are published, and it's important that I don't include any information that might result in Mr and Mrs S being identified.

Instead I'll focus on my decision and the reasons for it. No discourtesy or lack of care is intended by that. It's simply a reflection of the informal service we provide, and 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. This approach is consistent with what our enabling legislation requires of me.

It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

Mr and Mrs S had a mortgage with Santander which was part-interest-only and part-repayment. The mortgage was on a fixed interest rate up to September 2027. If the mortgage was repaid before then an ERC would be payable. At the time of these events, Mr and Mrs S owed about £120,000 on their mortgage.

Mr and Mrs S wanted to move house and port their mortgage interest rate product onto a mortgage on their new property, borrowing additional funds from Santander towards their purchase. In January 2025 they were given a Decision in Principle (DiP) of the amount Santander might be willing to lend, subject to a full application and underwriting. No application was made at that time as I understand Mr and Mrs S weren't able to sell their property, and so weren't able to proceed with their purchase.

In April 2025 Mr and Mrs S had found a new property to buy, a new-build where the developer was taking their existing property in part-exchange. The DiP had expired, and so

a new DiP was issued, and an application was submitted. Mr and Mrs S wanted to borrow £280,000, which was considerably more than they owed on their existing mortgage.

However, Santander couldn't lend this much. The maximum Santander was prepared to lend was £252,000, which Mr S said wasn't enough. In addition, Mr S was told that the application couldn't proceed because of adverse data on Mrs S's credit file. This was incorrect – the reason for Santander declining the application was due to affordability.

Mr and Mrs S went to a new lender, which lent them the amount they wanted. On redemption of their mortgage Mr and Mrs S had to pay the ERC, as well as fees for taking out their new mortgage.

Mr and Mrs S complained. In its final response letter Santander acknowledged that it had made a mistake in telling Mr S that the application had been declined due to adverse data. It was, in fact, due to affordability. Santander said that Mr S should have been told that he could have appealed the decline, and Santander confirmed it would have been prepared to proceed on the basis of the latest maximum loan figure (which I understand was £252,000). Santander paid compensation of £100 for incorrectly telling Mr S that the application was declined due to adverse data.

Mr and Mrs S weren't happy with this and complained to our service. An Investigator looked at what had happened. He didn't think Santander had acted incorrectly in declining the application, and so wasn't required to reimburse the ERC, fees for the new mortgage or any increased interest costs. But he thought Santander should increase its offer of compensation for giving the incorrect reason to £500, so an additional £400 on the amount already paid.

Santander agreed to this but Mr S didn't. He reiterated all the points he'd made before, but also said that, because of a credit search Santander carried out on 10 June 2025 without consent, applications he'd made for credit since then had been declined. Mr S said there had been regulatory breaches by Santander, and he questioned the Investigator's impartiality.

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.

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes and systems, or how they operate generally; that's the role of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. So whilst I've noted Mr S's arguments about what he says are regulatory breaches by Santander, my role is limited to deciding whether or not Santander has treated Mr and Mrs S fairly.

Mr and Mrs S wanted to port their mortgage interest rate onto the new mortgage they were taking out to buy their new property. Any new mortgage would be subject to Mr and Mrs S meeting Santander's lending criteria.

Santander is entitled to set its own lending criteria. Decisions that Santander makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for Santander's own commercial judgement that I would not interfere with.

In addition, there are regulations in place that have flowed from the Mortgage Market Review (MMR) carried out by the Financial Conduct Authority (FCA) which took place after the financial crash in 2008. This has led to a series of major changes, effective since 2014, in the way residential mortgages are regulated. MMR regulations have brought about requirements for stricter lending assessments, aimed at protecting consumers and encouraging mortgage lenders to act more responsibly.

The FCA recognised though that existing borrowers who wanted to make changes to their mortgages might have difficulties with this if they had passed tests under the old rules but wouldn't under the new ones. So, it introduced certain rules to address this. The rules are contained in the Mortgage and Home Finance: Conduct of Business Sourcebook (MCOB).

MCOB says a lender doesn't have to carry out an affordability assessment if a borrower wants to vary or replace an existing mortgage and there is no additional borrowing (other than for product fees) and no change to the terms of the mortgage material to affordability.

There are also transitional arrangements which say that a lender need not carry out an affordability assessment if:

- the borrower has an existing mortgage taken out before 26 April 2014, and is applying to vary that mortgage or replace it with a new one;
- the application wouldn't involve any additional borrowing except for essential repairs to the property, or to add product fees to the balance;
- there's been no further borrowing (with some exceptions) since 26 April 2014; and
- the proposed transaction is in the borrower's best interests.

So, under this rule, even where a change material to the affordability of the mortgage takes place, the lender can, *if it chooses*, waive an affordability assessment. If the lender decides to carry out an affordability assessment, it shouldn't use that as a reason to decline an application if allowing the application would otherwise be in the customer's best interests. But the lender can take the assessment into account as part of its consideration of best interests.

This means there are two routes that an application for an existing borrower can go down. If there's no change to the terms of the mortgage contract material to affordability, there's no obligation to carry out an affordability assessment at all. And if there is a change to the terms of the mortgage contract material to affordability, a lender could still decide to allow an application without an affordability assessment if doing so would otherwise be in the borrower's best interests.

I'll explain what is meant by 'porting' a mortgage. A mortgage loan and a mortgage product are two different things. A loan is the underlying transaction in which money is lent; the product is the initial terms that sit on top, including the interest rate.

In moving properties, the borrower pays off the old mortgage from the proceeds of sale. They also, separately, apply for a new mortgage to be secured on the new property, and if the application to port is successful, the interest rate product they wanted to port will be applied to the new mortgage.

In other words, porting a mortgage doesn't mean moving the mortgage debt itself from one property to another; mortgage debts are not transferable in this way. It means ending one mortgage and taking another and moving the interest rate product across.

In this case, Mr and Mrs S wanted to borrow substantially more on their new mortgage than the £120,000 they owed on their existing mortgage. Their initial request was for £280,000,

but they subsequently reduced this to £260,000 during the application started in April 2025. I'm satisfied, therefore, that it was reasonable for Santander to carry out a full affordability assessment.

I confirm I've listened to all the calls with Santander. I also asked the Investigator to seek confirmation from Mr S of the amount he and Mrs S would have needed to borrow from Santander in order to complete their purchase.

Santander's notes show that Mr S was told by email on 20 May 2025 at 13:49 that the maximum Santander was prepared to lend was £243,512 over 22 years and 6 months. Mr S told the Investigator on 26 March 2026, in response to my question, that, after receiving this email, this was the amount he and Mrs S needed to proceed with their purchase.

However, Santander's contemporaneous notes show that, in response to Santander's email, Mr S replied within an hour saying "*Can someone call me urgently on this please? This is not the figure we previously discussed. I have already said that we need in excess of £260k...*"

After further lengthy discussions with Mr S about discretionary income that could be taken into account from a lodger, and about paying off unsecured credit, Santander was prepared to lend a maximum of £252,610 over 22 years and 6 months. Mr S told Santander on 21 May 2025 that this wasn't enough.

I can see that, over the course of the discussions Santander's advisers and Mr S looked at ways of maximising income, using payments from a lodger. (I can see that Santander had concerns that this might have been a family member, which wouldn't have been within Santander's lending policy – a lodger has to be an unrelated third party.) There was also discussion between Santander and Mr S about possibly adding another party to the mortgage (who may possibly have been the same lodger/family member), cancelling life insurance policies, and paying off store cards and car loans, in an attempt to shoe-horn the application both into the amount Mr and Mrs S needed to borrow and to fit Santander's affordability criteria. Still, according to the information on file, the maximum amount Santander was prepared to lend fell short of what Mr S said was required.

Mr S was told, incorrectly, on 23 May 2025 that the application had been declined due to credit scoring, and that there was no appeal from this, when it was, in fact, on affordability. However, on 10 June 2025 Santander confirmed that it was prepared to go ahead with the application at a re-assessed figure of £253,288.

I'm satisfied, from listening to the call between Mr S and Santander on 10 June 2025, that Mr S was very clear that he wasn't willing to continue the application with Santander. Mr S said it was too late, because Santander had already told him it wasn't prepared to go ahead, and that he was still waiting to hear from the Complaints Department with confirmation that Santander wasn't willing to lend. Mr S said he was taking legal advice, because he'd been told in January he could get a mortgage, but was then told in May that he couldn't, and that because Santander had given its decision, it had to "*stand with it now*".

Santander's adviser asked, during the call on 10 June 2025, "*are you saying you no longer want to proceed with this application?*" to which Mr S replied "*No, you, Santander, told me that you weren't going to proceed with the application, so that's what we have to go on...*".

In the circumstances, having considered the evidence, I've reached the following conclusions:

- I'm not persuaded that Mr and Mrs S would have gone ahead with their purchase on the basis of a loan offer of about £243,500. There is nothing in either the call recordings or

written documentation that shows Mr S told Santander this was the amount he required. The evidence is persuasive that Mr S made it quite clear that he and Mrs S needed to borrow more than Santander was prepared to lend.

- Santander made an error when it told Mr S on 23 May 2025 that the application had been declined because of Mrs S's credit history, when it was on the basis of affordability, as Santander wasn't able to lend Mr and Mrs S the amount they needed.
- Santander was prepared to continue with the application and told Mr S it could do so on 10 June 2025. Mr S, however, wasn't prepared to proceed. This was his decision, not Santander's.

Overall, therefore, whilst an error was made by Santander in relation to the reason given for the application decline, I'm not persuaded Mr and Mrs S would have gone ahead with the application in any event, given that Mr S had made it clear that he required a loan of £260,000, which was less than Santander was prepared to lend.

Mr S has now told our service that he had company shares that he could have liquidated, and that his parents could have lent him £20,000, and so the application could have proceeded with a mortgage of £220,000. None of this was ever mentioned to Santander at the time, and, as I've said above, Mr S had made it clear when he'd been told that Santander would only lend about £243,500 that this was nowhere near enough. Even when Mr S was later told Santander could go up to about £252,000, Mr S said that this, too, was insufficient.

Therefore, although I've noted what Mr S is now saying about continuing the application on the basis of a lower amount than the £260,000 he'd told Santander was required, this isn't something I can take into consideration. This is because I have to assess the complaint on the basis of what Santander was actually told at the time, which is the information it was working on in order to assess the application.

In response to the Investigator's findings, Mr S said that he has recently been turned down for credit due to a search Santander carried out in June 2025. This is a new issue, and so I can't take it into consideration in this complaint. Mr S will need to raise this with Santander as a new complaint, providing evidence not just of the declined credit itself, but also that this was solely due to the search Santander carried out. If Mr S is unhappy with Santander's response, he'll be able to bring it to us as a fresh complaint.

Putting things right

I'm satisfied Santander gave Mr S incorrect information about the reason why the application had been declined, and that it should have told him he could have appealed. But ultimately I'm not persuaded Mr and Mrs S would have proceeded with a new Santander mortgage in all the circumstances, given that Santander wasn't prepared to lend the £260,000 Mr S made it clear was required.

It follows, therefore, that I'm not going to order Santander to compensate Mr and Mrs S for the ERC, the application costs incurred to their new lender or any additional interest they are now paying. The evidence is persuasive that these are expenses Mr and Mrs S would have incurred in any event, given that Santander couldn't lend enough to proceed with the purchase, and Mr and Mrs S had decided to go ahead with it in any event.

For the error I have identified, I agree with the Investigator that a further £400 on top of the £100 already paid, bringing the total compensation to £500, is fair and reasonable.

My final decision

My decision is that I uphold this complaint and direct Santander UK Plc to pay a further £400 compensation to Mr and Mrs S. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 8 May 2026.

Jan O'Leary
Ombudsman