

complaint

Miss K and Mr W are unhappy with the information provided by Santander UK Plc (Santander) on their existing mortgage deal. They'd like it to waive the early repayment charge as they are moving their mortgage to a new lender as they've lost trust in Santander.

background

In 2014 Miss K and Mr W bought a home with a Santander mortgage taken out through a mortgage broker. They borrowed around £114,000 on a capital repayment basis over 35 years. They took out the mortgage on a fixed rate of 5.49% for five years. Their home was purchased through the government Help to Buy scheme. Miss K and Mr W used the mortgage guarantee scheme.

The mortgage guarantee scheme was designed to help those with smaller deposits own their own home. Under the scheme the buyer would only need to raise 5% of the property value, while the government provided a guarantee to the mortgage lender for up to a further 15%. The guarantee only covered any lenders' losses if they occurred from a sale following repossession for up to seven years after completion. The guarantee only protected the lender; it didn't protect the borrower. The borrower doesn't have to pay back the 15% that has been guaranteed.

It's worth noting that this differs from the Help to Buy equity loan scheme. In this scenario the borrower would take out an equity loan of up to 20% to supplement their deposit. The borrower would have to pay back the loan when they sold their house or at the end of the mortgage period – whichever comes first.

In October 2017 Miss K and Mr W spoke to a mortgage broker as they were looking to move home. The broker confirmed they could potentially port their mortgage with Santander, subject to meeting its lending criteria. Miss K and Mr W decided to contact Santander as she wanted to look at the possibility of dealing with them directly, potentially avoiding any fees from the broker. They wanted to discuss how much they could borrow and ask some questions about their current mortgage. Santander asked Miss K and Mr W to contact their original mortgage broker from when they first took the mortgage out or their help to buy provider as they had limited information. Unfortunately, the original mortgage broker was no longer in business so Miss K contacted Santander again. Santander weren't able to provide specific information about the Help to Buy scheme Miss K and Mr W were on. Unhappy with this Miss K complained and the complaint was passed to the relevant complaints team.

Santander looked into what had happened. They incorrectly told Miss K that she and Mr W had an equity loan for 15% on their property provided by the Help to Buy scheme. This was followed up by Santander's final response confirming this. Santander did say sorry for the length of time that Miss K had been kept on the phone and offered £50 compensation for this.

Miss K and Mr W weren't satisfied with what Santander had told them and brought their complaint to our service. They said Santander had caused them unnecessary worry and stress about their mortgage and whether a third party had a second charge on their home. They said it had put pressure on their relationship and could have made them lose out on their dream home. Miss K and Mr W said they'd lost trust in Santander. They'd decided to use a new lender for their house move and wanted Santander to waive the early repayment charge of around £5,500.

One of our investigators looked into the complaint. She agreed that Santander hadn't been clear with Miss K and Mr W about the type of help to buy support they'd received and hadn't provided a good level of customer service. But she didn't think it would be fair for Santander to waive the early repayment charge for repaying the mortgage within the fixed rate term. Overall she felt Santander should pay Miss K and Mr W an additional £100, on top of the £50 already paid to them, for the trouble and upset they'd caused.

Miss K and Mr W didn't feel this was sufficient and asked for an ombudsman to review their complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the same overall conclusion as the investigator for the same reasons.

I've listened to some of the calls between Miss K and Santander's representative on 13 October. The representative suggests where Miss K may be able to find out some further information on her Help to Buy scheme, including looking at her original paperwork. He also contacts Santander's mortgage centre to see if they hold any further information. Although Miss K is placed on hold a number of times he is trying to find answers to the questions she's asking and he didn't provide her with any incorrect information.

However, when Santander looked into the complaint they told Miss K and Mr W the wrong information on at least one occasion. I have no doubt this would've caused them undue stress and worry. Moving home is a stressful time without the added worry of thinking there is a second charge on your property. But I do need to take into account that during this time Miss K and Mr W were still able to continue the process of moving home. I'm pleased they have been able to sell their home and have had an offer accepted on a new property.

I don't think it'd be fair or reasonable of me to ask Santander to waive the early repayment charge on the existing mortgage. The mortgage broker had already told Miss K and Mr W that Santander would've been able to offer them a new mortgage, subject to them meeting its lending criteria. But because of what had happened they chose to move to a new lender and I appreciate why they've decided to do this. By choosing to move their mortgage they've incurred the early repayment charge. The early repayment charge isn't there so a mortgage lender can make additional money, nor is it there to penalise a borrower for repaying their mortgage early. A mortgage lender will incur costs through the mortgage being paid off early and the early repayment charge is in place to cover those costs.

I've also looked at the mortgage offer that was sent to Miss K and Mr W. This clearly sets out any costs that would be incurred by repaying the mortgage early and how long the early repayment charge is applicable for.

For the reasons given above I think Santander should pay an additional £100 to Miss K and Mr W for the upset caused by providing them with incorrect information.

my final decision

I uphold Miss K and Mr W's complaint in part. To put things right Santander UK Plc should pay Miss K and Mr W an additional £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K and Mr W to accept or reject my decision before 2 February 2018.

Michael Fisher
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