

complaint

Mr S complains that Santander UK Plc has passed his case to its litigation team rather than looking for ways of working with him to help him manage the arrears on his mortgage account. He would like Santander to look at options, such as converting the mortgage to interest-only, capitalising the arrears, and/or extending the term.

background

Mr S suffers from serious health problems. The difficulty he's had keeping up his mortgage payments dates back to 2010.

In January 2011 Santander agreed to allow him to switch to interest only payments until January 2013. It capitalised his arrears in October 2011. Santander agreed another period of interest-only payments in October 2013. The mortgage reverted to repayment of capital and interest in 2014. But Mr S's arrears have continued to build up. In January 2015 Mr S's case was passed to Santander's litigation team.

On 30 January 2017 there were arrears on his mortgage account of £13,275. Mr S says he is actively looking for work. He's referred Santander to various support groups he's joined and is optimistic that he will find something soon. As yet he doesn't have a firm offer of employment.

As matters currently stand Mr S's contractual monthly payment (CMP) is £928.17. The DWP pays £463 each month. Santander has calculated that Mr S could only afford to pay £3 a month towards the mortgage.

my findings

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

Santander says it no longer offers an interest-only arrangement, either as a new mortgage or to existing customers. Mr S doesn't accept this. He says that Santander's website highlights the flexibility of its mortgages and says it's willing to *'make your monthly payment more affordable'*. As paying interest-only would make his monthly payment more affordable than paying capital and interest, Mr S says Santander should be willing to accept interest-only payments, in line with what its website says.

I accept that Santander has changed its policy regarding interest-only mortgages in line with the rest of the mortgage industry and following more stringent lending rules. So when its website talks about finding ways of making monthly payments more affordable, this doesn't necessarily include converting a mortgage to interest-only. The website can only offer general information about Santander's approach to lending. It doesn't mean that Santander can't look at the facts of Mr S's individual case and decide whether or not anything more can be done.

Santander is only willing to capitalise the current arrears if Mr S can maintain the full CMP for twelve months. Unless and until his income increases significantly there is no realistic prospect of him being able to do so.

Finally Santander has calculated that extending the mortgage term would only lead to a reduction of £38.09 in the CMP. Given that Mr S could only afford to pay £3 toward the CMP, this wouldn't provide a solution.

Through no fault of his own, Mr S hasn't been able to keep up his mortgage payments for over six years. We would expect Santander to respond in a positive and sympathetic manner to his situation.

I think Santander has tried a number of times to give Mr S enough breathing space to get on top of the arrears. But despite having two years of making interest-only payments on the mortgage, along with capitalisation of the arrears in 2011, Mr S hasn't been able to get back on an even keel. Unfortunately, as matters currently stand, there seems little prospect that he will be able to do so in the immediate future.

Even if the mortgage was now to be converted to interest-only, Mr S wouldn't be able to clear the arrears, and I don't think it's reasonable to ask Santander to capitalise them a second time. Without any means of paying off the outstanding capital at the end of the mortgage term, it's likely that Mr S would lose his home at that stage, when he may be even more vulnerable than he is now.

The reality of the situation is that Mr S can't afford to pay his mortgage. That situation is unlikely to change. All that will happen is that the arrears will continue to increase. In those circumstances I don't think Santander has acted unreasonably in refusing the solutions Mr S has put forward. In each case Santander has a good reason for saying it's unlikely to improve the situation. Past experience has shown that Mr S continues to struggle financially, even when monthly payments are reduced and arrears capitalised.

I have every sympathy for Mr S. The likelihood is that Santander will seek to enforce its security by issuing court proceedings for the possession and sale of Mr S's house. But I consider that Santander did respond positively and sympathetically to Mr S's situation for a number of years.

In the absence of any prospect of reducing long-standing arrears on the mortgage, I don't think there is anything further Santander needs to do. It has told the adjudicator that, if there was evidence of an agreed sale, it would hold off from issuing court proceedings. This would be of some assistance in reducing the legal and other costs Mr S would have to pay if a possession order was made. But for the reasons set out above I have concluded that Santander hasn't done anything wrong.

my final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 April 2017.

Melanie McDonald
ombudsman