

complaint

Mr P and Miss S complain that Santander UK Plc didn't make payments to Mr P's mortgage endowment policies. Because of Santander's mistake, Mr P's endowment policies have matured for less than he hoped and he has a higher mortgage balance to repay to Santander.

Mr P has managed the complaint throughout.

background

In November 1989 Mr P took out an interest only mortgage of £100,000 with Santander (then trading as Abbey National). He also took out two mortgage endowment policies through a broker the same year. The first endowment had a target value of £75,000 (policy A), and the second had a target value of £25,000 (policy B). The two endowments set up to repay Mr P's mortgage after 25 years.

Miss S appears to have been added to the Santander mortgage more recently.

Mr P says he's been making overpayments to his mortgage. He says Santander was supposed to be using the extra payments he'd made to pay the premiums on his endowments. However, Mr P's endowment premiums haven't been paid regularly and his policies have now paid out below their target amounts. This has left Mr P with a large balance outstanding on his mortgage.

Mr P complained to Santander, asking for details of where his overpayments had gone. Santander didn't uphold Mr P's complaint. It said it was Mr P's responsibility to make the premium payments on his endowment policies. And it said there hadn't been overpayments made to the mortgage. The payments made were only enough to stop the mortgage going into arrears. Santander agreed to extend the term of the mortgage while Mr P looked into his finances.

Mr P was unhappy with Santander's response and brought his complaint to us. Our adjudicator didn't think the complaint should be upheld. He didn't think there was evidence that Santander had made a mistake in not paying Mr P's endowment premiums. Mr P disagreed with the adjudicator's findings and asked that an ombudsman review his 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. I've looked carefully at all the information provided to try and reach my own conclusions about what has happened. I've looked at the terms of the mortgage given by Santander. It gave Mr P an interest only mortgage on the condition that Mr P had endowment policies in place to repay the loan. The endowments were sold in the same year as the mortgage, and were clearly intended to repay Mr P's mortgage in full at maturity.

But there have been longstanding problems with the payment of premiums on the policies. In 1992 premiums stopped being paid on policy A, and the policy was forfeited soon after. I note this happened around the same time as Mr P suffered from financial difficulty. And he started getting help paying his mortgage interest from the DWP soon after. Policy B had a smaller premium, and it appears to have been paid into over a longer period of time. The evidence available to me suggests this policy was surrendered in 2010. There also seems to have been a third policy set up at some point with a different policy provider.

Mr P says he'd made an arrangement with Santander. He says he made overpayments to his mortgage using the branch's counter service. These extra payments should've been used to pay his endowment premiums. Santander says there were no such arrangements. And there's no evidence to support Mr P's recollection that it agreed to pay premiums on Mr P's behalf.

Mr P has queried what Santander has done with the extra money he'd been paying to his mortgage. Having looked at mortgage statements in recent years, the evidence shows that Mr P and Miss S's payments, added to the contributions made by the DWP, only just cover the contractual monthly repayment of around £550 per month. The endowment premiums on policies A and B totalled £155 per month. There isn't any evidence that additional monthly payments of around this amount have been regularly made to Santander.

I can see why Mr P was concerned by a letter he received from Santander saying it had "lost" the original policy document of one of his endowments. It seems Santander had some records that Mr P had an endowment policy maturing in January 2015. But it couldn't find a copy of the original policy, and was unsure whether it had a deed of assignment over the policy's proceeds. When endowments mature, such administrative issues are reasonably common because of the long term nature of the policies. But I'm not persuaded that, in this case, Santander's incomplete records caused Mr P any loss.

I'm sorry to disappoint Mr P and Miss S, but I don't uphold their complaint against Santander. Their strength of feeling on the matter is understandable. I realise they now find themselves with a higher mortgage balance to repay than they'd expected. I'd encourage Mr P and Miss S to discuss their outstanding mortgage with Santander. We can also provide the contact details of debt charities if this would be helpful to Mr P and Miss S.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Miss S to accept or reject my decision before 19 February 2016.

Emma Peters
ombudsman