

The complaint

Mr and Mrs L complain about delays when they re-mortgaged with Santander UK Plc. They ask for compensation.

What happened

Mr and Mrs L's interest rate product was due to expire on 31 October 2022. Their mortgage broker submitted an application on their behalf to Santander in September 2022.

Mr and Mrs L say Santander caused delays. Mr L says it duplicated requests for information, which had to be updated due to the delays. It asked about loans they didn't have. It asked them to provide evidence of zero balances for credit card accounts, which they couldn't do as they use the cards regularly. Mr L says this was unnecessary as they repay the balances in full each month. Mr L says Santander then asked for further evidence of their income and required Mrs L to submit her tax return before it was due.

Santander said it received the application in September 2022 and declined it that month due to the loan being unaffordable. It said Mr and Mrs L's broker appealed the decision but didn't provide the necessary evidence to support the appeal. It said new applications were declined in November 2022 and December 2022 due to a lack of supporting documents. Santander said based on the information it had it assessed the mortgage as unaffordable.

Santander said it re-assessed the application in January 2023 based on further information. It issued a mortgage offer and the mortgage completed in mid-February 2023.

Mr and Mrs L say they paid about £4,700 in additional interest during the delays. Mr L says Santander was trying to make them withdraw the application due to the beneficial interest rate they'd secured.

Our investigator said the application took longer than usual due to the declines and appeals. She said Santander had to assess affordability and needed to ask for up to date documents and evidence to do this. Our investigator didn't think Santander had caused delays.

Mr S didn't agree. He said asking for a zero balance on a credit card account doesn't make sense. He says Santander should have been satisfied with evidence they paid the balance each month. And he said the investigator hadn't addressed their concern that it spent so long processing the mortgage that they had to re-send up to date documents. Mr L also said Santander hadn't told the broker that the application was declined, only that it needed additional documents.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in

light of the available evidence and the wider circumstances.

Mr and Mrs L applied to Santander via a broker for an interest only mortgage. Santander says it received the application on 7 September 2022 and the supporting documents on 27 September 2022. This was a like for like re-mortgage, so Mr and Mrs L needed to borrow enough to repay the existing mortgage. Santander said the amount Mr and Mrs L needed to borrow wasn't affordable and declined the application on 30 September 2022.

The broker responded in early October 2022 saying "I am appealing the decline as the loan is affordable please see the attached affordability with the clients outstanding loans". The broker set out Mr and Mrs L's commitments, including their credit cards, and offered to provide evidence they were cleared each month. Santander said it could only re-consider the application if all credit commitments were being cleared.

At the end of October 2022, the broker appealed on the basis he'd provide evidence of Mrs L's income (this hadn't been provided before as he'd expected the loan to be affordable with Mr L's income). And he asked that the credit cards be excluded from the affordability assessment as Mr and Mrs L would stop using them for regular living costs. Santander told the broker the application would need to be re-submitted as they were outside the time limit for an appeal.

A new application was submitted in November 2022, which Santander declined. It said it couldn't re-assess affordability as income evidence was out of date and it hadn't received evidence the credit cards had been repaid. This happened again in December 2022.

The broker told Santander Mr and Mrs L used their credit cards for their outgoings to collect points. I appreciate that even if they paid in full each month the balance was never zero. But the broker asked for the credit cards to be excluded from the affordability assessment on the basis they wouldn't be used for regular outgoings. And Santander said it could only re-consider the application if all commitments were cleared. In the circumstances, I don't think it was unreasonable for Santander to ask for evidence the credit card accounts had been repaid. Given the time passed while the decline was appealed, I think it was reasonable for Santander to ask for up to date documents to evidence Mr and Mrs L's income.

The broker provided further evidence in late December 2022 and early January 2023. After reviewing the information it received, Santander had queries. It asked for further information and evidence, as it is entitled to do. It had a query about why the net profit for Mrs L's business increased by a large amount between 2021 and 2022. I don't think it's fair to say that Santander required Mrs L to submit her tax return early (in mid rather than late January 2023). More likely the tax return was submitted to evidence Mrs L's 2022 income so that this could be used for the affordability assessment, rather than her 2021 income which had been reduced by the Covid 19 pandemic.

Santander agreed the application and issued a mortgage offer in early February 2023, with the interest rate product Mr and Mrs L had applied for in September 2022.

Mr and Mrs L's re-mortgage application did take a long time and I appreciate this was frustrating. Mr and Mrs L had to meet the cost of being on their lender's standard variable rate for about three months. But I don't think Santander caused unnecessary delays. It's required by rules on mortgage regulation to assess affordability before offering a mortgage. It needed Mr and Mrs L to provide up to date documents and evidence to do this, and I don't think its requests were unreasonable or unfair.

Given what the broker said about appealing the decline, I think Santander made the broker aware at the outset that the mortgage was declined due to affordability. It was the broker, on

behalf of Mr and Mrs L, that appealed the decision on the basis more evidence would be provided. I can't see that Santander caused any delays in dealing with the application.

In the circumstances, I don't think it's fair and reasonable to require Santander to pay compensation to Mr and Mrs L.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs L to accept or reject my decision before 8 April 2024.

Ruth Stevenson
Ombudsman