

The complaint

Mr and Mrs G complain that Santander UK Plc made an error when they completed their mortgage application which meant Mr and Mrs G thought they could borrow more than they were able to. Mr and Mrs G said this caused them a considerable amount of stress and upset and felt they had no choice but to move to another lender which meant they incurred an early repayment charge (ERC) and ended up paying a higher interest rate than they would have had with Santander.

What happened

Mr and Mrs G took a mortgage out with Santander in 2020 and they were on a fixed rate of 2.2% for five years.

They wanted to move home and port their existing product to a new property, so they approached Santander on 14 October 2022 who confirmed that it was possible to port their mortgage. A decision in principle (DIP) was produced for around £196,000.

On 25 October 2022 Mrs G contacted Santander as she explained the likely purchase price would increase by £20,000 and she was told by Santander that they could borrow £199,000.

On 21 November 2022, Mrs G contacted Santander again and explained that Mr G had received a salary increase of around £1,500 per annum and a new DIP was provided which showed an increase of potential borrowing to around £218,000.

Mr and Mrs G found a property they wanted to buy, and an offer had been accepted on 28 November 2022, so they wanted to proceed with a formal mortgage application. They contacted Santander on the same day and explained that they only wanted to borrow £208,800 in total. During this call it became apparent that Santander made an error when they inputted Mrs G's income from the previous telephone calls and had it noted down as £90,838 instead of £19,836. Santander said the most Mr and Mrs G could borrow was around £164,000.

This meant that Mr and Mrs G had a significant shortfall for the property that they wanted to purchase. Mr and Mrs G explained that they were on a tight deadline to complete on the property which had to be done by the end of January 2023, so they felt they had no choice but to approach another lender which meant incurring an ERC on their mortgage with Santander.

Santander acknowledged that they made an error and paid £400 compensation to Mr and Mrs G for the upset and inconvenience that was caused. Santander said they looked into the possibility of waiving the ERC but concluded that as a formal mortgage application hadn't been made initially, they said it wouldn't be possible.

Mr and Mrs G said they were extremely upset and had to approach a mortgage broker to see if they could source a new mortgage to enable them to complete on time. They managed to get a mortgage with another lender for £200,000 in December 2022 on a fixed rate of 5.29% until April 2028.

Mr and Mrs G were unhappy with what Santander had done so they brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't uphold the complaint. He said that as Santander had only provided a DIP, they were not obliged to lend that figure until a mortgage application was made – as Mr and

Mrs G's income would have been assessed at that point. He thought the amount of compensation that Santander had offered Mr and Mrs G was reasonable based on what had happened.

Mr and Mrs G disagreed. They said that they found a property based on the information that Santander had provided them and they ended up with a mortgage that is on a higher interest rate and have ended up paying an ERC. They said that if Santander had allowed them to borrow the £199,000 they had originally agreed to, they would have been in a much better position. Mr and Mrs G said Santander owed them a duty of care and they relied on their professional opinion and they have suffered damaged due to their errors.

They said that Santander never gave them the opportunity to proceed to a full mortgage application so they will never know what borrowing they could actually have obtained from them.

Mr and Mrs G said their damages such as additional rent, mortgage adviser fees and the distress suffered was all a result of Santander's negligence and it was in their gift to allow them to proceed on the higher DIP – but they wouldn't do that.

As they disagreed with the investigator, they asked for the complaint to be reviewed by an ombudsman, so it's been passed to me to decide.

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 understand that this has been a very stressful time for Mr and Mrs G and there is no doubt here that Santander did make an error when they inputted Mrs G's income – that is not in question.

What I have to consider is what the impact of that mistake has had and what it would have meant for Mr and Mrs G, if they were told from the outset that they were only able to borrow a lower amount.

The terms of the mortgage that Mr and Mrs G had with Santander allowed them to port the mortgage over to a new property. As they wanted to borrow additional funds for the new purchase, Santander had to consider their affordability.

Santander did enter the wrong income figure for Mrs G but had they of entered the correct figure from the start, it would have been apparent that they couldn't indeed afford the amount that Santander had said they could when a DIP was carried out.

I understand that Mr and Mrs G think that Santander should honour the amount they said they could offer them from the DIP, and specifically said that if they could borrow the £199,000, they wouldn't have needed to go to another lender – but unfortunately it doesn't work like that.

Santander isn't obliged to lend the figure it would have originally given on the DIP. A DIP is an illustration as to how much a consumer is able to borrow but until a full application is made, which includes carrying out a full assessment of income – then that amount is not guaranteed. A mortgage offer would then have been produced which would detail the amount that Santander would have been able to lend. But even if a mortgage offer had been issued by Santander and something came to light after that there was an issue, they would have still been entitled to withdraw that mortgage offer. But that isn't what happened here.

While Santander did make an error, I can't expect them to honour the amount they originally offered on the DIP. I appreciate that this gave Mr and Mrs G false hope as to the purchase price of the properties they could potentially afford and do understand this would have caused additional stress once it came to light that there was an issue.

I have listened to the telephone calls that have been provided to us and you could hear how upset Mrs G was when she found out there was an issue with her income and what Santander had entered it as. I do appreciate it was very difficult to hear they couldn't borrow what they thought they could.

Mrs G said they placed an offer on a property they had found on 28 November 2022, and she said she called Santander and it became apparent about the error with her income. This seems to have come to light on the same day.

I've also looked at the contact notes that Santander have provided us and this also confirms that the issues with the salary were discovered on the same day – 28 November 2022.

So the key thing here is that Mr and Mrs G found out they couldn't have borrowed the amount they wanted, and this was found out on the same day that Mrs G said they placed an offer on the property they wanted to buy. I appreciate that an offer had already been made but this was all discovered on the same day so I can't say that there was a delay from when they placed the offer on their property to the point they found out they couldn't borrow as much as they wanted.

I also understand that the chain was also broken as one of the parties involved withdrew their offer. So while I do understand there were delays caused by the error, I am not able to hold Santander responsible for the knock-on effect after that as the time from when the offer was made and the income issue identified – was minimal.

If things had gone as they should have done, Mr and Mrs G would never have been able to borrow the amount they thought they could from Santander. And it's likely that they may have looked for properties that were cheaper. I note that Mr and Mrs G said as they couldn't complete on time, they had to withdraw their offer but then completed at the end of March 2023. It's not clear to me if Mr and Mrs G ended up buying the same property as the one they had found in November 2022 or if they ended up completing on a different property. But they were able to obtain a mortgage for £200,000 with another lender within a reasonable time frame but this meant they had to pay an ERC with Santander. The mortgage offer with the new lender was dated 8 December 2022.

I note that Mr and Mrs G said that they were not given the opportunity to make an application with Santander to know how much they could actually borrow, but the contact notes from 28 November 2022 suggest that the income error was identified on this day and the note says that the amount that Mr and Mrs G could have borrowed was around £164,000. I accept that a mortgage application was never made and that seems to be because this amount wasn't an amount that was enough for Mr and Mrs G so it's at this point they approached a mortgage broker to find another lender – who offered them a mortgage of £200,000.

Having thought about everything very carefully, I can't reasonably ask Santander to reimburse them the ERC which Mr and Mrs G paid. They would never have been able to borrow the amount they wanted with Santander and there wasn't a long-time lapse so it's possible they could have changed their plans if they wanted to.

I am not making light of the situation as I know it would have been very disappointing for them, but I think the amount that Santander offered of £400 is reasonable for the inconvenience and upset that they went through.

I know Mr and Mrs G will be disappointed with my decision, but I won't be asking Santander to do anything further.

My final decision

For the reasons given above, I think the amount that Santander UK Plc have offered Mr and Mrs G of £400 is fair and reasonable in the circumstances of this complaint.

If they haven't already done so, they should pay this amount to them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 19 March 2024.

Maria Drury
Ombudsman