

The complaint

Mr L and Ms V complain that Santander UK Plc unfairly declined their mortgage application and delayed giving them a decision. They say they missed out on lower interest rate products during the delay.

What happened

Mr L and Ms V applied to Santander for a mortgage, via a broker, in mid-2022. Santander declined the application. Mr L and Ms V say this was unfair. Mr L says Santander didn't assess his income fairly. And Santander should have told them at the outset his income didn't meet its criteria.

I sent a provisional decision to the parties explaining why I didn't intend to uphold the complaint. In summary, I said Santander's decision to decline the application wasn't unfair. And it wasn't entirely or mainly responsible for the delays. I said Santander asked for information related to Mr L's income in July 2022 and this wasn't provided until October 2022.

Mr L and Ms V didn't agree. Mr L said:

- they provided the certificate related to the cladding issue promptly
- Santander took unreasonable time to review information, including between mid-September 2022 and mid-October 2022
- Santander's requests were unclear, especially given the abundance of requests
- there was a lack of focus by Santander as to what was needed to make a decision to avoid the application having to wait for a further review
- Santander declined the application based on information it had at the outset. Mr L asked what could they have provided to change this outcome.

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.

First, I'd like to assure Mr L and Ms V that I've read and taken into account the information and evidence provided by them and their broker, as well as from Santander. The broker's notes appear to be consistent with Santander's records.

The broker said he raised points which have gone unanswered. Although there was a complaint raised with Santander about the time it had taken to reach a lending decision, this part of the complaint has developed somewhat since then. I should explain that while I have to explain why I reach my decision, I don't have to respond to each point raised. I should also explain that 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 L and Ms V's broker submitted a mortgage application on their behalf in June 2022.

Mr L operates his business through a limited company (which I'll refer to as "S"). Mr L receives a salary and dividend income from S. The accountants certificate provided to Santander in late June/early July 2022 said S had made a loss in the most recent financial year.

Santander declined Mr L and Ms V's mortgage application in October 2022, saying this was because of concerns about the loan being affordable and sustainable.

Santander's business development officer told the broker this looked to be a correct decision as Santander wouldn't lend to a client who made a loss in the last three years trading.

Mr L said it was unfair for Santander to decline the application. He said his income was higher than previous years and had been sustained for a number of years. Mr L also said Santander knew in June 2022 that S made a loss in 2022 and could have declined the application at that time.

Was it fair for Santander to decline the application?

All lenders have criteria, including as to how they assess income from different sources.

Because Mr L's income comes from being a director and shareholder in S, it was S's accounts that Santander reviewed when making its lending decision.

Santander declined the application, saying S's accounts showed it made a loss in 2022 and it had concerns around affordability and the sustainability of the income.

S's accountant said S made a loss in 2022 due to an increase in salary payments to the director (Mr L) following changes in tax legislation. It seems Mr L's own income didn't fall as compared to previous years. But Santander says Mr L's personal income wasn't relevant here. It was S's accounts that it used when making its lending decision. This is consistent with Santander's lending policy.

Ultimately, Santander's underwriters had to be comfortable that S's income was sustainable and sufficient for the loan to be affordable. I don't think I can fairly find that it was unfair and unreasonable for Santander to decline the application given S had made a loss in the most recent trading year.

Should Santander have declined the application at the outset?

Mr L and Ms V say Santander should have known their application couldn't succeed as soon as it saw the accountant's certificate in June 2022, as this said S had made a loss in 2022.

The certificate said while turnover was consistent, S was "expected to incur a small loss during year ended March 2022" due to a sharp increase in director salaries following a change in tax legislation. The certificate said Mr L's gross salary was higher than previous years and there remained reserves available for distribution as dividends. The accountant said the decreased profitability shouldn't affect Mr L's ability to meet his obligations.

Santander provided its lending policy in confidence. I can understand why the business development manager said Santander wouldn't lend if the applicant's business had made a

loss. But the underwriters do have some discretion when the applicant is an existing customer, as was the case here. Santander also said the lending policy is a guide and underwriters have authority to consider exceptional circumstances.

Santander says it had to give Mr L an opportunity to explain the matter rather than simply decline the application. It said there could have been a viable reason that would allow it to offer the mortgage.

Mr L asked what he could have provided that would have resulted in Santander reaching a different decision. I don't think it would be right for me to give speculative answers to Mr L's question. But what I think is clear is that Santander asked for further information to see if it could lend outside its usual policy. It couldn't have known in advance if this information would allow it to do so. Or that it would be several months before it received the information.

I don't think, in the circumstances, it was unfair for Santander to ask for more information about the 2022 accounts.

Did Santander cause delays with the information being provided or reviewed?

I set out in my provisional decision what information had been requested by Santander and on what dates, based on the available evidence. Mr L and his broker didn't dispute this. However, they said Santander's requests were unclear. The key events were as follows.

- The broker provided an accountant's certificate to Santander in late June/early July 2022.
- On 11 July 2022, Santander asked for "applicant's accountant to provide draft figures for March 2022 (turnover, net profit, shareholder funds, salary and dividends), thank you. (Asked for due to the accountant making the comment that the business has made a small loss in 2022)."
- The broker provided draft accounts in mid-August 2022. These weren't signed by the accountant.
- On 21 September 2022 Santander asked for the accountant to provide draft figures. It said the draft accounts weren't acceptable because they weren't signed by the accountant. It asked for a letter on the accountant's headed paper signed by the accountant confirming draft figures for March 2022.
- The broker re-loaded the accountant's certificate (the same certificate provided in June/July 2022) on 22 September 2022. The application was referred to the underwriters.
- On 17 October 2022 Santander again asked for the accountants to provide draft figures, saying the accounts weren't acceptable as they weren't signed by the accountants.
- Accounts signed by the accountants were provided on 18 October 2022.

Santander's original request in July 2022 was for the "accountant to provide draft figures...". The broker says the request is unclear and if Santander wanted signed accounts it could have said this. I'm not persuaded by this. I'm not sure how the draft figures could be said to be provided by the accountant unless they were signed by the accountants or on their headed paper or there was some other evidence they'd come from the accountant.

The requirement that the accounts were signed by the accountants was certainly made clear

in mid-September 2022. However, it wasn't until mid-October 2022, following a further request from Santander, that draft figures signed by the accountants were provided. I don't think I can fairly find that the delay in providing the accounts was due to a lack of clarity in Santander's requests. I don't think Santander asking for other information, or the passage of time, made the request unclear.

I haven't seen evidence that Santander received draft figures signed by the accountant before mid-October 2022. Nor can I see that Santander was told that the information it asked for wasn't readily available.

Santander said there were other matters that also delayed the progress of the application, such as information relating to cladding on the building. Santander asked for this information in mid-July 2022, following the valuation. It asked again in mid-August 2022. Mr L says they didn't delay trying to provide this. It seems from the broker's notes that the problem was with the vendor providing the information. Nonetheless, it was two months before the information was provided to Santander, in mid-September 2022.

Mr L and the broker didn't say what other requests for information they consider to be unclear, and having read Santander's notes and the broker's notes I'm not persuaded this was the case. They say Santander wasn't focussed on what needed to be provided. I don't think that's fair. Santander asked for the information it needed to review the application and make a lending decision.

Mr L and the broker say Santander's review times were too long. In particular, they ask why they didn't hear anything from Santander between 22 September 2022 (when the application was passed for review by the underwriters) and 17 October 2022.

Santander's review times were longer than usual. I can see in the broker's contact notes that Santander had recommended in mid-July 2022 that documents were uploaded quickly as its SLA (the time taken to review documents) "wasn't great" at that time. Santander says it reviews additional requested information when it receives the correct documentation. It didn't receive draft figures from the accountant as first requested in July 2022 until 18 October 2022. I don't think Santander's review times were the main cause of the delays here.

Santander contacted the broker on 17 October 2022 and said it would review the application without it going back into the queue if the signed accounts were provided promptly. I think that was fair, in the circumstances.

I appreciate Mr L and Ms V's frustration. But for me to uphold this complaint and require Santander to pay compensation I'd need to find that it made an error. As I said, I don't think it was unfair for Santander to ask for more information in July 2022. It didn't receive what it asked for before 18 October 2022. And I don't think Santander was responsible for the delay

It follows that I don't think it's fair and reasonable to require Santander to pay compensation to Mr L and Ms V.

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 Ms V to accept or reject my decision before 8 April 2024.

Ruth Stevenson

Ombudsman