

The complaint

Ms W complains about her mortgage with Santander UK Plc. She doesn't agree that it's accurately recorded when her mortgage has been in arrears or that the current balance is correct.

What happened

Ms W has an interest only mortgage with Santander, taken out in 2008 over a term of 15 years.

Ms W has made several complaints about her mortgage. In December 2021 she complained to us about the interest rate. We upheld that complaint and told Santander to reduce the interest rate on Ms W's mortgage, refunding excess interest paid to her.

This complaint is about payments she's made and the arrears that have appeared on her account from time to time. Ms W says that there are errors on her account. She doesn't agree that arrears have been accurately recorded, including payments being recorded as missed when in fact she made them. She says that her balance is wrong and too high as a result. Santander didn't agree and said that the balance was correct and accurately reflected all the payments Ms W had and hadn't made.

Our investigator didn't think Ms W's complaint should be upheld. As Ms W didn't agree, the case comes to me for a decision to be made.

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'm grateful to Ms W for sending us through a clear and detailed account of what she's unhappy about, including an organised bundle of supporting documents. While I'm afraid I haven't upheld her complaint – for reasons I explain below – it's meant I've been able to get a good understanding of what she's unhappy about. I'm grateful too for the evidence Santander has provided explaining its own understanding of events.

Ms W has queried specific transactions and specific entries on the documents she's provided. I think the easiest way to answer her complaint and set out my findings is to take matters chronologically.

2017

Ms W questions whether a payment she made in May 2017 has been appropriately recorded. It was – her direct debit bounced, but she made a cash payment of £800.71 on 8 May which was credited to her mortgage account. Santander tried to take the direct debit again on 17 May, but it bounced again. So overall only one payment was made that month. Santander's system automatically re-tries a direct debit later in the month if one bounces. Although Ms W had made a payment in the meantime, she didn't end up overpaying

because the second direct debit amount went uncollected like the first. Although two direct debits and the cash payment appear on the transaction records, the direct debits are reversed again because the payment requests bounced. The net amount received is just the cash payment.

2018

Ms W questions whether a payment she made in October 2018 was appropriately recorded. Again, it was. Her direct debit bounced, and two cash payments - £845.30 on 8 October and £48 on 15 October – were credited to her mortgage account.

2019

Ms W has itemised the transactions she believes she made in 2019. I've checked Santander's records for that year. All the payments Ms W says she made are correctly recorded on her account.

There is a discrepancy between the year opening and closing balances on the annual transaction summary, found on page 51 of the documents Ms W sent us. But that is explained by the separate arrears statement, found on pages 56 to 58.

The opening balance on the annual summary on 1 January 2019 was £213,999. The closing balance on 31 December 2019 was £214,888.88. The monthly payment was £889.88 (one month's payment is the difference between those two figures).

Ms W didn't make the monthly payment in December 2019 – she agrees about that. But that payment was added to the arrears balance not the main balance. The main balance remained at £213,999. I appreciate that's not what the annual summary says. But that doesn't mean Santander made an error, because there's a reasonable explanation for that.

Because Ms W's payment due date was the fifth of the month, on 31 December 2019 the payment due on 5 December remained on the balance awaiting the payment due by 4 January at the latest – and therefore showed on the closing balance on the annual statement on that date.

But the arrears statement, on page 58, shows the missing £889.88 payment being moved to the arrears balance on 5 January 2020 when the month had passed without it being made.

The closing balance of the main mortgage for the period ending 4 January 2020, and the next period beginning 5 January, is therefore back down to £213,999.

That the annual summary shows the balance as being higher on 31 December is because the calendar year ended on a different date to the monthly calculation period. It's not therefore the case that the balance carried forward into 2020 was higher than it should have been or mis-calculated. The balance carried forward at the end of the December 2019 interest period (ending 4 January 2020) once the missed payment was moved to the arrears balance was £213,999 – the same as it was at the start of 2019.

2020

Again, Santander's record of transactions broadly agrees with Ms W's. For example, Ms W says she made no payment in January but made a payment in February and March. Santander agrees about the payments – but has treated them differently because of the difference between the interest period and the calendar month.

Ms W made payments on 4 February and 3 March. She says this means that she missed the January payment but made the February and March payments.

But because the due date is the fifth of the month, Santander counted these payments towards January (because the first was made before 5 February) and February (because the second was made before 5 March). Therefore rather than considering January as a missed payment, Santander treated March as a missed payment. But overall the number and amount of payments Ms W has made are the same.

By April 2020, therefore, Ms W was in two months' arrears – having not made payments for the December and March due months.

As Ms W saw it, she had not made payments in the December and January calendar months. But she doesn't think that the December payment should have counted as arrears in 2020, though, because it was added to the balance on 31 December – but, as I've explained above, that's not in fact the case. As at the end of the December interest period, on 4 January 2020, the balance was £213,999 and she was one month in arrears (the missed December payment). She paid in the January and February interest periods (on 4 February and 3 March) but not in the March interest period, so was in two months' arrears in April.

Ms W then made no payment in April either, taking the mortgage up to three months' arrears – a total of £2,690.53.

Ms W then took a coronavirus payment deferral. Three months' payments – for May, June and July – were added to the mortgage balance. At the same time the monthly payment reduced because Santander reduced its interest rate when the Bank of England base rate reduced in May 2020. The payment deferral increased the balance to £216,340.10. In addition, the mortgage remained in arrears by the three monthly payments missed before the payment deferral – those arrears were not added to the mortgage balance.

Ms W made an overpayment of £1,000 in July. Because she was in a payment deferral at the time, this was used to reduce the arrears rather than as a monthly payment – once interest was added, the arrears were now around £1,700.

Ms W made the remainder of her payments in 2020, though she didn't make any further payments to reduce the arrears.

2021

The mortgage was stable in 2021, with no missed payments. Ms W questions why the arrears remained at around £1,700 – this is due to the missed payments less the £1,000 July payment I've described above, and because while Ms W didn't miss further payments during 2021, she didn't make payments towards the arrears either. In fact the arrears were gradually increasing during this time because of interest on the missed payments which hadn't been made up.

Ms W also queries why the balance as at 31 December 2021 on the annual summary is higher than it was at the start of the year. That's because the monthly payment for December recorded on the summary was £782.43 (as is shown in the debits column and the lines for interest due on the annual summary), but Ms W only paid £603 in that month.

This was the correct payment, because in a previous complaint, the Financial Ombudsman Service had directed Santander to reduce interest charged to Ms W since 2019. As part of doing so the interest charged in December was retrospectively adjusted to £603.95.

Following that adjustment, the mortgage balance went back to £216,340.10, as it was at the start of the year (this can be seen on page 201 of her documents).

The £965.36 “debit” figure Ms W has questioned that appears on page 165 of her documents is not an amount debited that month. It’s the arrears balance as at 5 March 2021. This was reduced from £1,738.55 because Ms W made her March payment on 4 March, which Santander treated as a second payment in February (because it was made before the 5 March due date). The arrears balance then increased back to £1,738.55 when no payment was received in the “March” period of 5 March to 4 April. It was reasonable for Santander to treat this as a missed payment in the month it was due.

2022

In 2022, Ms W paid her payments in full. But – as I’ve said – the due date is the fifth of the month. As Ms W made payments on 5 April and 4 May, Santander treated this as two payments in April and a missed payment in May. This is correct, because Ms W made two payments between 5 April and 4 May, and none between 5 May and 4 June. Again, therefore, this made the arrears balance go down and back up again. And again it was reasonable for Santander to treat this as a missed payment in the month it was due.

Ms W paid £2,000 in July 2022. This cleared the outstanding arrears, which were by then £1,982.99 – this included the arrears referred to above, plus interest on arrears since the last full missed monthly payments in 2020, plus small amounts where Ms W had very slightly underpaid in particular months (for example paying £603 when £603.95 was due in December 2021). The remaining £8.38 of the £2,000 payment was used to reduce the mortgage balance from £216,340.10 to £216,331.72.

Summary

I’m satisfied that the payment history is correct. All the payments Ms W believes she made are present and accounted for. The discrepancies she’s found are because of the difference between the monthly interest period (running from the due date of the fifth of each month rather from the first of the month). But Santander has correctly managed her account based on the payments she actually made on the dates she actually made them. I don’t think any refund is due, or that Santander has wrongly suggested that Ms W was in arrears when she wasn’t – because she was.

For the same reasons, I’m satisfied that it was fair and reasonable for Santander to treat Ms W’s mortgage as being in arrears when that was in fact the case. And it was fair and reasonable to regard her as having missed payments where she didn’t make them within the period they were due (from the fifth of one month to the fourth of the next). I don’t therefore uphold this complaint.

The term of Ms W’s mortgage has now ended and the entire capital payment balance is now due for payment. Ms W has made clear that’s not part of her complaint and I make no findings about that here. But now this complaint is over, Santander will want to discuss how the mortgage is to be repaid with her.

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 Ms W to accept or reject my decision before 9 April 2024.

Simon Pugh
Ombudsman