

## **The complaint**

Mr and Mrs O complain that Santander UK Plc (Santander) refused to honour an interest rate on part of their mortgage that they believed had been agreed over the phone in June 2023.

## **What happened**

Mr and Mrs O hold a mortgage with Santander split across two accounts - both had fixed interest rate deals expiring in 2023. The smaller mortgage, 'part 2', had a fixed rate expiring in July 2023 and a new fixed interest rate deal was agreed for this part of the mortgage on 5 June 2023 at 4.23% for five years. The larger part of their mortgage, 'part 1', had a fixed rate due to expire in December 2023.

In October 2023, Mr and Mrs O received an email from Santander in relation to a deal already booked on their mortgage, which invited them to get in touch with Santander if they wanted to change or cancel this. Mr and Mrs O assumed that this email meant that the rate they booked in June 2023 for part 2 of their mortgage would also be applied to the larger part of their mortgage, part 1.

Mr O called Santander the next day and it was confirmed to him that the same 4.23% fixed rate for 5 years that they had taken for part 2 of the mortgage was reserved for part 1.

Having not received any paperwork several weeks later, Mr O called Santander again and was told that the rate had not been reserved as promised. Santander explained to Mr and Mrs O that they would need to take out a new fixed rate deal based on the options available in October 2023, which were more expensive than what had been available in June 2023.

Unhappy with this outcome, Mr and Mrs O complained to Santander. Santander investigated the complaint and upheld it. While it agreed that incorrect information had been given, it did not offer to honour the rate from June 2023. It offered Mr and Mrs O £100 in compensation for the distress and inconvenience caused by the incorrect information being given.

Dissatisfied with Santander's response, Mr and Mrs O referred their complaint to our service.

One of our investigators reviewed the complaint and felt Santander's offer was fair. The complaint was then reviewed again by a second investigator, and a second assessment was issued. The second investigator found that the compensation for the distress and inconvenience should be increased to £250 to better reflect the impact Santander's incorrect information had on Mr and Mrs O.

Santander agreed to increase its offer in line with the investigator's suggestion, but Mr and Mrs O still wanted the complaint to be referred to an ombudsman – so it was 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 think this complaint should be upheld. However, I do not think the compensation offered should be increased further. I realise this will be disappointing for Mr and Mrs O, but I hope the reasons I have set out below will help them to understand why I have come to this conclusion.

Santander has already accepted it gave Mr and Mrs O incorrect information in October, so ultimately what I need to decide in this case is what the impact of Santander's incorrect information was on Mr and Mrs O, and whether they would have done anything differently had they been given the correct information when they called in October 2023.

Having listened to the call recording of Mr O's conversation with Santander in June 2023, Mr O specifically says he was calling to take out a new rate on the part of his mortgage that was due to expire in July 2023 – part 2. The adviser does not say the rate he was discussing for this part of the mortgage would also apply to part 1 of the mortgage when its rate expired in December 2023. So, I'm satisfied that the information Mr O was given during this call was correct, that he understood what he was applying for and that he hadn't made any changes to part 1 of his mortgage at this time.

However, having reviewed the email dated 25 October 2023 that Mr and Mrs O were sent by Santander in relation to a rate already booked on their mortgage, I think it was reasonable for Mr and Mrs O to believe this email was referring to part 1 of the mortgage. The email doesn't state which mortgage account it is referring to, but as the rate on part 2 of the mortgage had already started, the assumption that this email related to part 1 was fair.

Mr O was then given further incorrect information by Santander the following day when he called it on 26 October 2023 to sense check that the rate he had secured on part 2 of his mortgage had also been reserved for part 1 – as implied by the email. The adviser confirmed the deal for part 2 of the mortgage had also been booked for part 1.

Mr and Mrs O were only given the correct information about the interest rate on part 1 of their mortgage when they called up a few weeks later to query why they had not been sent documentation for the new rate.

I'm mindful that the consumer duty is relevant in this complaint and there is an obligation on Santander to ensure it communicates and engages with customers in such a way that enables them to make effective, timely and properly informed decisions. I've borne this in mind when thinking about the impact of Santander's error on Mr and Mrs O.

We would not automatically ask a business to honour a mistake in the information it provided to a consumer – instead we look to put the consumer in the position they would have been in had they been given the correct information at the appropriate time.

Having thought about this, I'm persuaded that it's most likely that, had Mr O been given the correct information via email or when he called about his rate in October 2023, he would have taken out the best rate that was available with Santander at the time.

Mr and Mrs O eventually took out a new fixed rate deal with Santander on part 1 of their mortgage before their original rate expired in December 2023. The new rate taken was the same as if they had taken a new fixed rate in October 2023 as Santander's rates had not changed in that period. So, I'm not persuaded Santander's actions in October 2023 caused

Mr and Mrs O to suffer a financial loss by virtue of missing out on an interest rate between October and December 2023.

Mr and Mrs O have said that, had they had more time, they would have sought independent financial advice and potentially obtained a more favourable fixed rate elsewhere. I have considered this, but I am not persuaded that this was their intention at the time. Instead, it appears they were happy to fix part 2 with Santander for a further five years and intended to do the same with part 1 of their mortgage ahead of it expiring in December. While the email and subsequent call in October added some unnecessary confusion and inconvenience to the process, the evidence does not suggest that they were looking to split their mortgage across two lenders – having one part secured with Santander and the other with a new lender. Mr O also didn't allude to wanting to shop around when he called with the intention of re-fixing with Santander in July 2023.

Mr and Mrs O have been caused distress and inconvenience by the incorrect information they were given and suffered a loss of expectation. They have explained that when they found out about the error, they had to reassess their financial plans for the next five years. Particularly because their mortgage is their biggest living expense. They were also caused stress by having to quickly secure a new deal for their mortgage to avoid it falling on to the standard variable rate, which would've been more expensive for them.

In summary, having reviewed what happened, I find that Santander did cause Mr and Mrs O avoidable distress and inconvenience and a loss of expectation by giving them misleading and incorrect information about their fixed interest rate on two occasions. I agree that compensation for the impact this had on Mr and Mrs O is warranted. Having considered the submissions of Mr and Mrs O and thought about our usual approach to such awards, I think Santander's revised offer of £250 is fair so that is what I am requiring it to pay.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and direct Santander UK Plc to pay Mr and Mrs O £250 (if it hasn't already done so) as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 10 April 2024.

Lucy Wilson  
**Ombudsman**