

The complaint

Miss P and Mr G's complaint relates to a mortgage they have with Santander UK Plc. They are unhappy about the delays they encountered in being able to apply for a re-mortgage because of mistakes Santander made with a credit card account in Miss P's name. These delays meant that interest rates had increased by the time the mortgage completed and additional interest had accrued on a relative's lifetime mortgage, which they were borrowing to repay.

What happened

In April 2022 Miss P took out a credit card with Santander. When she did, she instructed that Santander should collect payments automatically by direct debit mandate (DDM). Unfortunately, a system error meant that at that time Santander was not able to comply with such instructions. It emailed Miss P on 13 April 2022 to tell her the account was open and give her instructions on activating her card when it was received. It also told her that the DDM had not been set up and she needed to call it to do so.

Miss P appears to have made the payment for the May 2022 balance manually via the faster payment system, and she believed that a DDM had been set up for payments thereafter. The payment for May 2022 was made late and a fee was applied to the account. No payment was made for June 2022 and again a late payment fee was applied to the account.

Miss P and Mr G had an existing mortgage on their home with lender H. In July 2022 they wanted to release some equity, predominantly to repay a lifetime mortgage on a relative's home. However, Miss P became aware that there were missed payment markers relating to the Santander credit card. She questioned this with Santander – it confirmed the DDM she had asked it to set up had not been. A new DDM was set up at that point and Miss P made a faster payment on the same day to cover the missed June payment, but it was after the required payment date. A further payment was made later that month.

On 17 July 2022 Santander sent Miss P a final response letter regarding the matter of the DDM for her credit card. It acknowledged that she had requested a monthly fixed amount be collected by DDM when she set the account up, but a system error had meant that this had not happened. Santander said it would be taking steps to refund any fees and charges that had been applied and fix her credit file. Santander paid Miss P £50 compensation for the inconvenience the problem had caused her.

Miss P has told us the adverse data was not removed until she contacted Santander again in September 2022. Santander confirmed on 29 September 2022 that it had reversed the late payment fees and any adverse data had been removed from her credit file. It paid her a further £50 compensation. Santander has recently said, variously, that it can't find any evidence the adverse data was still on the account in September 2022, or that there had ever been any recorded at all. It went on to say that it now believes that when it responded to her in September 2022 it took Miss P's word that there had been adverse data on her credit file on the day she reviewed it.

At the beginning of October 2022 Miss P and Mr G complained about the mortgage products that were available to them, as the interest rates were considerably higher than they had been when they started the process. On 24 October 2022 Santander rejected the complaint.

Following further correspondence from Miss P and Mr G, Santander reviewed its decision. Ultimately, it offered to apply an interest rate product they could have obtained if their application had been made on 1 August 2022. During the discourse, Santander accepted a member of its branch staff had told Miss P not to apply for a mortgage until her credit file had been sorted out and paid Miss P and Mr G £250 compensation.

Miss P and Mr G were not satisfied with the offer, as it didn't compensate them as they thought it should. Santander confirmed they were only entitled to benefit from an interest rate product for the set term associated with it. It declined to compensate for the interest that had been paid on the lender H mortgage from when the product on it had expired in November 2022 to the date of the re-mortgage. This was because, due to when the adverse credit data had been removed, the re-mortgage could have been arranged in time for it to complete when the lender H product ended. As Miss P and Mr G hadn't applied at the relevant time, it was not Santander's responsibility a higher interest rate had been charged by lender H from November 2022.

Miss P and Mr G applied for the Santander mortgage on 24 February 2023. The application was accepted, and an offer issued on 24 March 2023. The mortgage completed on 27 April 2023. In relation to the relative's lifetime mortgage, evidence this was redeemed on 21 December 2022 has been provided.

Miss P and Mr G were not happy with the responses they received from Santander and the redress offered, so they asked the Financial Ombudsman Service to review the complaint. When they did so, they said the delay in applying for the re-mortgage had been because Santander had not agreed to an interest rate product from those available in August 2022 until March 2023.

One of our Investigators considered the complaint. He concluded that as the 2023 mortgage application had been successful, if Miss P and Mr G had applied in August 2022 (with no adverse data on Miss P's credit file) that application would also have been successful. However, he was persuaded that as Miss P and Mr G had sought the advice of a mortgage broker, the broker should have been aware that they didn't need to delay the application because of Santander's error with the credit card account. As such, he didn't recommend any further redress be paid.

Santander accepted the Investigator's conclusions, but Miss P and Mr G didn't. They reiterated several of their previous points, and in relation to the interest payable they said the offer from Santander failed to address the loss of interest in the period before November 2022. They also said that they had not approached a broker for assistance to re-mortgage their property until 5 October 2022 when the agreement in principle had been received. The advice not to apply for a mortgage was given by a member of Santander's staff. As such the broker could not have contradicted the member of Santander staff. They also highlighted the increase in the capital balance on the lifetime mortgage Miss P and Mr G said they'd borrowed to repay. As such, they did not consider the offers made by Santander put them in the position they would have been in but for the credit card problem.

As agreement couldn't be reached, it was decided the complaint should be referred to an Ombudsman.

Following this Santander provided the call recording with Miss P on 29 September 2022. During this conversation Miss P raised the issue about the consequences of the delay in

being able to apply for a mortgage. She mentioned that their broker was looking at Santander for the re-mortgage. Santander suggested that if Miss P did decide to re-mortgage with it, she should contact it once the mortgage was in place, and there might be a compromise available on the interest rate.

I issued a provisional decision on 31 January 2024, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Since the complaint has come to us, Santander has questioned whether there were any missed payment markers added to the credit card record on Miss P's credit file, which would have caused problems with Miss P and Mr G's re-mortgage. Having reviewed the credit card statements it is clear that the May and June payments were made late and Santander's system registered this as it applied late payment fees for each month. The documentation Santander has provided doesn't show that late payment markers were registered against that account. However, I note this information was produced after the complaint was received at this service and after the credit file was amended. Given Santander's system registered the payments as having been made late, it would be in line with that fact for markers to have been reported on Miss P's credit file. This is supported by the complaint Miss P made in July 2022 – had there not been a record on her credit file she would have had no cause to make the complaint or contact Santander at all. At that point Santander accepted fault for a DDM not having been set up and confirmed it would refund the charges and sort out Miss P's credit file.

The telephone call of 29 September 2022 also clearly shows that Santander had not at that point removed the late payment fees from the credit card account. Although Miss P's credit file was showing as clear of the markers. It is not clear when the markers were removed, but again, if they had been removed when Santander initially said it would deal with the consequences of its error, I would question why Miss P would have called about the issue in September 2022.

Santander also accepted that a member of its branch staff told Miss P not to apply for the remortgage before the credit file issue was sorted out. While it is possible that had Miss P and Mr G applied for a re-mortgage with Santander it might have been possible for the issue to have been got around. However, it is clear from the telephone call of 29 September 2022 their broker had not made a recommendation for a lender at that point. As such, when Miss P spoke to the member of branch staff before this, it is likely the advice was given on a generic basis. Miss P and Mr G have confirmed that at that point, their broker was not yet involved, although it is not clear when it did become involved.

Where a financial business has made a mistake, we look to establish as closely as possible, what position they would have been in if the mistake had not happened. Miss P and Mr G have said they had been looking to make a mortgage application at the beginning of August 2022 so that it was in place for when the interest rate product on their existing mortgage ended and they could re-mortgage without charge. Santander appears to have accepted that they would have applied when they said, but for the DDM issue, as it allowed them to select a product from the range that was available on 1 August 2022. As such, the re-mortgage would have completed when Miss P and Mr G's existing product tie-in ended in November 2022.

Miss P and Mr G seem to be satisfied with the interest rate product that has been applied to the mortgage and the five years going forward that it will fix the interest rate. However, they've asked for redress for the period between 1 August 2022 and November 2022. I don't consider Santander needs to do anything for this period as nothing would have changed in their circumstances as the re-mortgage would not have completed before November 2022. As such, they would always have paid what they did during this period. That would also

include any interest accrued on the lifetime mortgage Miss P and Mr G have said they were borrowing to repay.

We haven't been provided with any documentation regarding Miss P and Mr G's lender H mortgage, but it would be logical that in November 2022 it reverted to lender H's follow-on rate which was 6.49% at the beginning of that month. Had the re-mortgage gone through on time, they would have been paying the new Santander fixed rate at this point. However, they would have been paying that interest rate on a mortgage that was around 70% bigger than the existing one. As such, while the interest rate would have been lower, it is likely that they would have been paying more in interest on the larger balance and so they probably didn't suffer a financial loss in relation to the interest paid during this period.

Furthermore, I note that Miss P and Mr G have said they delayed applying for the re-mortgage until Santander had agreed to give them an interest rate from those that would have been available in August 2022. However, it appears they applied for the re-mortgage before that offer was made to them. I also note that Miss P was told in September 2022 to apply and if the application wasn't accepted, Santander could look to see what it could do. As such, I am not persuaded that it would be reasonable to hold Santander responsible for any financial loss that Miss P and Mr G may have suffered because of the delay in their application being made.

Miss P and Mr G have said the majority of the equity being released in the re-mortgage was to pay off a relative's lifetime mortgage. They have asked that the increase in the lifetime mortgage balance be paid by Santander. Firstly, if the funds were to be used for that purpose, as I have said above, the re-mortgage would not have released funds until November 2022, and so most of the interest that Miss P and Mr G have asked to be reimbursed would always have accrued. I also note that the lifetime mortgage was repaid several months before the re-mortgage went through, which would indicate that the released equity was not ultimately required for this purpose.

Overall, I am satisfied that the redress Santander provided has placed Miss P and Mr G in the financial position they would have been in, but for the errors on its part. In addition, it paid Miss P and Mr G £250 for the poor service they received in relation to the mortgage application and a further £100 for the poor service Miss P received in relation to the credit card. I have considered these payments and I can only conclude the £100 paid to Miss P was sufficient to compensate her for the simple administration issue on the credit card account. However, I am not persuaded the £250 is sufficient to compensate for the delays and worry Miss P and Mr G experienced in relation to the mortgage, and I consider that sum should be increased by £250.'

Santander said that, as a gesture of goodwill, it agreed with my provisional decision and would pay the additional £250 compensation.

Miss P and Mr G didn't accept my provisional decision. In summary, they said the mortgage application should have been made in July 2022 and would have completed by 1 September 2022. Following on from this, various comments were made about the interest that would have been paid and the situation they should have been in. This led to them disagreeing that there had been no financial loss. They also confirmed that the lifetime mortgage had not been repaid before the re-mortgage had gone through.

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.

Miss P and Mr G have now stated they would have applied for the mortgage in July 2022 and it would have completed by 1 September 2022. When I used the dates of the beginning of August 2022 for when the mortgage would have been applied for, this was based on Miss P and Mr G's account of their plans in the summer of 2022. In addition, while they have now said they would have pushed the mortgage through as quickly as possible, they had previously said they intended the re-mortgage to coincide with the end of the fixed interest rate product they had on their existing mortgage, which was November 2022. If they had completed the re-mortgage before that date, they would have had to pay an early repayment charge to their existing lender. When an account of what happened varies over time, we will usually place more weight on earlier recollections as these are less likely to have been influenced by hindsight. As such, I remain satisfied that but for the mistake on Santander's behalf, the mortgage would have been applied for in August 2022 and so the interest rate product Miss P and Mr G were offered by Santander, and which has been applied to their mortgage, is appropriate in the circumstances.

Furthermore, as Miss P and Mr G wanted the re-mortgage to coincide with the end of the fixed interest rate product on their existing mortgage, the Santander mortgage would never have started before November 2022. I also remain of the view that Santander can't be held responsible for the time that elapsed between September 2022 when Miss P and Mr G were told by Santander they should make their application, and when they applied for the mortgage several months later, as they knew they could apply, and simply didn't.

I would apologise for the misinterpretation of the partial document Miss P and Mr G provided in relation to the relative's lifetime mortgage. However, as I said in the provisional decision and above, the majority of the time they have put forward Santander should reimburse the interest for would always have accrued. Also, any increase in the debt that did occur was not their liability, but that of their relative, and so not something Santander would be liable for.

My final decision

My decision is that I uphold this complaint in part. In full and final settlement of the complaint, I order Santander to pay Miss P and Mr G a further £250 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss P and Mr G to accept or reject my decision before 12 April 2024.

Derry Baxter
Ombudsman