

The complaint

Mr B and Miss W are unhappy that they weren't given accurate mortgage advice by Santander UK Plc.

What happened

Mr B had a mortgage with Santander. In early 2023, Mr B contacted Santander because he wanted to move to a new property with his partner, Miss W. To finance the new property purchase, Mr B wanted to secure some new borrowing from Santander, alongside porting his existing Santander mortgage. And Mr B also wanted to add Miss W to the new mortgage as a joint mortgage holder.

On 27 March 2023, Mr B spoke with Santander about Miss W's and his plans. At that time, Mr B's existing mortgage balance was £77,324, with an interest rate of 1.79% that was fixed until 2 September 2023.

The new borrowing that Mr B and Miss W were taking out was roughly £191,000. Mr B explained to Santander that they wanted the borrowing over the longest possible term – which was 33 years and 9 months – so that the monthly mortgage payment was as low as possible. And Santander's mortgage adviser offered Mr B a five-year fixed interest rate of 4.15%, which Mr B accepted on Miss W and his behalf.

Santander's mortgage advisor also explained that Mr B and Miss W could agree the same 4.15% interest rate on a five-year fixed term basis for Mr B's original mortgage part that he was porting over. But Mr B said that he wanted that part to continue to benefit from the lower 1.79% interest rate it was current benefiting from for the rest of the remaining term – until 2 September 2023.

A few weeks later, Santander adjusted the interest rate on Mr B and Miss W's new mortgage part down from 4.15% to 4.10%. And Santander sent a mortgage offer to Mr B and Miss W confirming this on 28 April 2023.

Following this, Mr B and Miss W monitored mortgage interest rates. And on 22 May they secured a mortgage offer with Santander for Mr B's original mortgage part on a five-year fixed term basis with an interest rate of 4.18%. Mr B and Miss W moved into their new property together not long after this.

However, when fixed interest term on Mr B's original mortgage part ended on 2 September 2023, Mr B and Miss W noticed that that part of their mortgage had been reverted by Santander to a variable interest rate of 8.5%, and that the new arrangement they'd agreed in May 2023, and which Santander had confirmed, hadn't been applied. Mr B and Miss W weren't happy about this, so they raised a complaint.

Santander responded to Mr B and Miss W and explained that one of the terms of the new mortgage they'd arranged was that it would be invalidated if Mr B and Miss W moved house within six months of arranging that mortgage – which Mr B and Miss W had done. Santander agreed that Mr B and Miss W should have been told this fact earlier, and so they agreed to

apply an interest rate of 4.98% to that part of their mortgage, which Mr B and Miss W could have obtained on 29 June 2023. And Santander also made a payment of £250 to Mr B and Miss W, as compensation for any trouble or upset they may have incurred. Mr B and Miss W weren't satisfied with Santander's response, so they referred their complaint to this service.

One of our investigators looked at this complaint. But they felt the response that Santander had issued to Mr B and Miss W already represented a fair outcome. Mr B and Miss W remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 22 April 2024 as follows:

I've considered several detailed submissions provided to this service by Mr B and Miss W and by Santander. I'd like to thank all parties for these submissions, and I hope that none will consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if any party notes that I haven't addressed a specific point that they've raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both Mr B and Miss W and Santander. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

Santander have explained that when their advisor asked Mr B on 27 March 2023 if Miss W and himself wanted to arrange the same 4.15% available five-year fixed term mortgage interest rate for Mr B's original mortgage part, alongside their new borrowing, that this was an offer that was only available to Mr B and Miss W at that time. And Santander have further explained that because Mr B and Miss W declined that offer, they were then unable to secure an agreement for Mr B's original mortgage part until that part reached the end of its current agreed term – 2 September 2023 – or until after Mr B and Miss W moved into their new property and their new mortgage completed, which took place on 29 June 2023.

But I've listened to recordings of the calls that took place between Santander's mortgage advisor and Mr B on 27 March 2023, and at no time in these calls is this important fact explained to Mr B. Instead, Santander's advisor incorrectly tells Mr B that he would be able to arrange and secure a fixed-term interest rate for his original mortgage part in the months

leading up to the end of that part's current fixed term, with no mention being made of the requirements I've described above. As such, I feel that Mr B and Miss W received incorrect advice from Santander.

Mr B and Miss W have explained that if Santander's agent had given them the correct advice on 27 March 2023, that they would have secured the 4.15% five-year fixed term interest rate for Mr B's original mortgage part then. And they point out that they had explained to Santander's agent that they were taking a five-year fixed term on the other mortgage part because they were concerned about the possibility of rising interest rates. And that concern was also why they monitored interest rates as they did and secured a deal on the original mortgage part in May 2023, when mortgage rates rose.

I find Mr B and Miss W's argument to be persuasive, and I feel that it's likely that they would have agreed to the 4.15% five-year fixed term (which would have later been lowered to 4.10%) had they not been mis-advised. As such, I'll be provisionally upholding this complaint on this basis and instructing Santander to restructure Mr B and Miss W's mortgage as if they had agreed to align their two mortgage parts, as suggested by Santander's agent on the 27 March 2023 phone call, so that the original mortgage part was placed on the same five-year 4.10% interest rate as the new borrowing was, beginning and ending at the same time.

Furthermore, while Santander have paid £250 to Mr B and Miss W, as compensation for the trouble and upset that they've incurred here, I'm not sure that Santander have fully grasped the impact that their mistakes have had on Mr B and Miss W. I say this because it's clear to me that Mr B and Miss W were being diligent in their efforts to secure a mortgage that was affordable for themselves, and because of the trouble and upset that they've explained that they've experienced here. As such, I'll be provisionally instructing Santander to pay a further £100 to Mr B and Miss W, taking the total compensation amount payable to £350.

In arriving at this total compensation amount, I've considered that Mr B and Miss W would have been spared both inconvenience and worry, had they received the correct advice from Santander's agent in the first instance, including that Mr B and Miss W would have had no need to continue to monitor mortgage rates as they did. And I've also considered the general framework this service uses when assessing compensation amounts, details of which are on this service's website.

Mr B and Miss W responded to my provisional decision and confirmed that they were happy to accept it. Santander also responded to my provisional decision and explained that they had nothing further to add.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Mr B and Miss W's favour on the basis outlined in my provisional decision. And I therefore confirm that my final decision is that I do uphold this complaint in Mr B and Miss W's favour on that basis accordingly.

Putting things right

Santander must restructure Mr B and Miss W's mortgage as if Mr B and Miss W had agreed to align their two mortgage parts, as suggested by Santander's agent on the 27 March 2023 phone call, so that the original mortgage part was placed on the same five-year 4.10% interest rate as the new borrowing was, beginning and ending at the same time.

Santander should contact Mr B and Miss W to discuss and confirm the particulars of their backdated restructured mortgage moving forward, including any options Santander might be willing to provide regarding any potential overpaid interest that Mr B and Miss W might have paid in light of the backdated restructuring, if such an overpaid interest amount exists.

Santander must also pay a further £100 compensation to Mr B and Miss W.

My final decision

My final decision is that I uphold this complaint against Santander UK Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss W

to accept or reject my decision before 17 June 2024.

Paul Cooper
Ombudsman