

## The complaint

Mr K's complaint is about a mortgage he used to hold with Santander UK Plc. Mr K says that Santander failed to provide him with clear enough information about what would happen after his mortgage product expired in May 2024, given that the mortgage term end date was July 2024.

## What happened

I won't set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat all the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr K being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Briefly, the 1.64% interest rate product on Mr K's mortgage was due to end on 3 May 2024, following which he could repay his mortgage at any time without incurring an early repayment charge (ERC).

Mr K spoke to Santander on 3 April 2024 because the mortgage term was due to end in July 2024. Santander said it couldn't produce a redemption statement until 28 days before the redemption date. However, Mr K could repay his mortgage after 2 May 2024 without incurring an ERC. At the time, Mr K's monthly repayment was about £200.

On 3 May 2024 Santander wrote to Mr K explaining that his fixed rate was at an end and the mortgage would revert to Santander's SVR of 8.5%. The monthly repayment would increase to about £1,000. Mr S said he didn't receive this letter until late May.

Alarmed at the increase in the mortgage repayment, Mr K drew down on his pension and paid off the mortgage. He'd always intended to do this, but did so early, because his monthly payment had gone up by such a large amount.

Mr K complained to Santander, saying that when he'd spoken to Santander in April 2024, he'd not been made aware of the potential increase in the monthly payment. Mr K said that if he'd been told this, he'd have paid off the mortgage as soon as the fixed rate had expired.

Santander didn't uphold the complaint, saying it believed the documentation Mr K had about the mortgage was sufficiently clear about the mortgage reverting to SVR for the months before the term ended. Mr K disagreed and referred the complaint to our service.

An Investigator looked at what had happened, and thought the complaint should be upheld. He wasn't persuaded that in April 2024 Santander had explained to Mr K that when the mortgage product expired on 2 May 2024, the monthly repayments would significantly increase. In addition, the Investigator wasn't persuaded that sending a letter on 3 May 2024 (which wasn't received until several weeks later) advising of the change to the repayment gave Mr K sufficient time to make a decision about paying off his mortgage

The Investigator asked Santander to re-work the mortgage as if Mr K had paid it off on the earliest date he could repay it without incurring an ERC (2 May 2024). He also asked Santander to reimburse Mr K for the additional interest he'd paid from 3 May 2024 to the date of redemption of the mortgage, and to pay 8% simple interest p.a. on that amount.

In addition, the Investigator asked Santander to pay Mr K £150 compensation for the upset caused by not explaining things clearly enough to Mr K.

Mr K accepted the Investigator's findings, but Santander did not. The bank re-submitted documentation it had previously sent and repeated points it had previously made in support of its contention that it had acted fairly. However, Santander provided no new evidence or arguments.

### **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.

Having done so, I've reached the same conclusion as the Investigator, for broadly the same reasons.

First of all, I note this is a joint mortgage. However, Mr K has explained that the other account holder has had no involvement with the mortgage for a number of years. In the circumstances, I'm satisfied that it is appropriate to consider this complaint brought by Mr K alone.

I've noted what Santander has said about the documentation – the product transfer offer, annual statements and a term expiry letter sent in July 2023 – containing the information Mr K would have needed. I agree he would have been aware from these documents that his product was due to expire before the mortgage term end date and that his mortgage would revert to SVR. But I'm not persuaded that these documents are sufficient for Mr K to have been aware that his monthly repayment would increase from £200 to £1,000 once the product expired.

I'm satisfied that, when Mr K spoke to Santander on 3 April 2024, he was clear that he intended to pay off the mortgage. I acknowledge Santander explained that, once the existing product ended on 2 May 2024, Mr K wouldn't be subject to an ERC. However, I don't think that went far enough.

In the circumstances, I would have expected Santander to have explained to Mr K that, once the product ended, his mortgage would revert to SVR, to tell him the interest rate that would apply and give him an indication of how much his payment would increase by.

Santander is under an obligation under the Consumer Duty to communicate with Mr K in a way that is clear, fair, and not misleading, in order to equip him to make decisions that are effective, timely and properly informed. By not telling him that his monthly repayment would increase five-fold after 2 May 2024, I think Santander fell short of its obligations in this regard.

I think if Mr K had been given this information on 3 April 2024, he'd have made the decision to pay off the mortgage at the earliest opportunity – 2 May 2024. Mr K needed to give his pension provider two weeks' notice to draw funds from his pension. Therefore, if he'd been given the information he should have had on 3 April 2024, Mr K would have had time to put his plans in place.

I'm also not persuaded that sending a letter dated 3 May 2024 telling Mr K his new payment would take effect from 1 June 2024 is reasonable notice. Mr K was, by the time the letter was dated, already being charged SVR, and so I'm satisfied he hadn't been given sufficient notice of the change in the rate that would be applied to his mortgage.

In the circumstances, I'm not persuaded that Santander did all it should have done to ensure Mr K fully understood the implications for him of the increase in the interest rate once his fixed rate had expired. This means that I'm satisfied the complaint should be upheld.

### **Putting things right**

I'm satisfied Santander's failure on 3 April 2024 to explain that Mr K's monthly payments would increase substantially after 2 May 2024 resulted in Mr K incurring financial loss. To put things right I direct Santander UK Plc to do the following:

- Re-work Mr K's mortgage as if it had been repaid on 2 May 2024.
- Reimburse Mr K for the additional interest he was charged from 3 May 2024 to the date of redemption.
- Pay interest of 8% simple p.a. on the reimbursed interest from 3 May 2024 to the date of refund.\*
- Pay Mr K compensation of £150 for the trouble and upset he has been caused.

\* If Santander considers that it is required by HM Revenue & Customs to withhold income tax from any interest, it should tell Mr K how much it has taken off. Santander should also give Mr K a tax deduction certificate if requested, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

### **My final decision**

My final decision is that I uphold this complaint. I direct Santander UK Plc to settle the complaint as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 14 January 2025.

Jan O'Leary  
**Ombudsman**