

The complaint

Mr and Mrs D have complained about what happened when they were trying to redeem their mortgage with Santander UK Plc.

What happened

Mr and Mrs D had an interest only mortgage with Santander and the mortgage term was due to end in August 2023.

Mr and Mrs D first asked for a new interest rate product, but when they were told that wasn't possible due to the mortgage term ending, they then made lump sum payments with the intention to repay the mortgage in full. Payments were made to the account on 1 and 7 August 2023 which Mr and Mrs D thought would repay the debt. Unfortunately they hadn't taken into account the fact a £225 Account Fee would be charged upon redemption, which Santander waived as a gesture of goodwill, or that interest was charged in arrears so there was interest that had fallen due and not yet been paid.

Santander said that Mr and Mrs D still needed to pay just over £400 to clear the balance. And it wouldn't release its charge until that sum was paid. Mr and Mrs D didn't think they owed that sum so a complaint was raised, which Santander didn't uphold (albeit it said it had waived the £225 Account Fee as a gesture of goodwill).

Our Investigator said she thought the amount Santander was asking for was correct, due to the interest that had accrued on the account which hadn't been covered by Mr and Mrs D's payments. Mr and Mrs D didn't agree and 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.

Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

I understand Mr and Mrs D feel a previous decision from an Ombudsman colleague meant Santander should have offered them a new interest rate product even though their mortgage term was ending, but I don't agree. That previous decision was about Santander providing misinformation to Mr and Mrs D and it didn't say that Santander must extend Mr and Mrs D's mortgage term and/or offer them a new interest rate product after the mortgage term had ended. It was a complaint about a specific issue that happened in the past and I'm satisfied the Ombudsman's decision doesn't mean Santander had to keep offering preferential interest rates to Mr and Mrs D even when their term was ending, and then since ended.

The starting point of this complaint therefore is that Mr and Mrs D needed to repay their interest only balance due to the fact the mortgage term ended in August 2023.

Mr and Mrs D had made various overpayments to their mortgage. Then on 1 August 2023 they paid £92,695 to the mortgage. Mr and Mrs D's online banking showed that left a balance of £15,000. Unfortunately they didn't get a formal redemption statement from Santander as that would have shown the £225 Account fee that would fall due upon redemption, and the interest that had accrued but not yet been paid (due to the fact Santander collects interest payments in arrears).

Had Mr and Mrs D contacted Santander then it could have given them the formal redemption figure (including all those sums) and also made sure the payment was allocated correctly to the account so it was treated as a redemption rather than just an overpayment (which is what happened due to the way the payment was made).

On 14 August Santander realised what had happened and it reversed the £15,000 off the account and recredited it (backdated to 7 August), moving it from being an overpayment to a redemption payment. That then triggered the £225 Account Fee and unpaid interest to become payable.

I understand Mr and Mrs D's online banking only showed around £2 was outstanding but that was because Santander moved the £400 (that was also owed) into a different 'pot' to ensure no further interest was charged on that sum. That seems a fair thing for Santander to have done as it benefited Mr and Mrs D. I know Mr and Mrs D are distrustful of the fact that sum now shows on their online banking due to Santander moving it back as part of this complaint, but I've seen screenshots from Santander's internal system and I'm satisfied that shows the roughly £400 was always due and had been moved across to suppress further interest as Santander has said. I understand Mr and Mrs D have now paid that sum.

I don't think Santander was responsible for what went wrong originally as that was due to the fact Mr and Mrs D didn't request a formal redemption figure for a redemption in August 2023, but I think Santander could have been clearer about the situation once it came to light and Mr and Mrs D queried it.

But Santander has already waived the £225 Account Fee, which isn't something I would have ordered it to do as that amount was always due to be paid by Mr and Mrs D upon redemption of their mortgage, so I wouldn't order it to do any more than that to put things right.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 10 January 2025.

Julia Meadows
Ombudsman