

The complaint

Mrs H has complained that it was irresponsible for Santander UK PLC to offer her a mortgage in 2016 because it was unaffordable.

To settle the complaint Mrs H wants Santander to refund the interest she's paid on the mortgage (plus 8% interest) and correct her credit file.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, so there is no need for me to repeat the details here. I will instead concentrate on giving the reasons for my decision. In addition, our decisions are published, so it's important I don't include any information that might lead to Mrs H being identified. So for these reasons, I will keep my summary of what happened quite brief.

On 31 October 2016, after taking advice from a mortgage broker, Mrs H applied for a mortgage with Santander to enable her to buy a home from a relative. Mrs H wanted to borrow just over £290,000 on a capital repayment basis over a term of 20 years, against a purchase price of £350,000. The application showed that Mrs H earned £65,000 per annum and had no regular credit commitments. Her stated retirement age was stated to be 75.

The mortgage completed on 22 December 2016. The first two years of the mortgage were at a fixed rate of interest. In 2019 Mrs H took out a new two-year fixed rate product, which expired in May 2021. Because of arrears on the account, Santander wasn't able to offer Mrs H a new interest rate product, so the mortgage is currently on Santander's follow-on rate, which is at Bank of England Base Rate plus 3.25%.

In 2022 Mrs H complained to Santander that the mortgage should never have been agreed at the point when she took it out in 2016. She said that insufficient checks had been carried out to verify her income and other financial commitments. Mrs H said she earned £10,000 per annum less than the mortgage application stated, and that she had numerous credit commitments. Mrs H also questioned why the mortgage term was over a 20-year term, taking her up to the age of 74.

Santander didn't uphold the complaint. The bank said in its final response letter that the application had met its lending criteria at the time and that the mortgage was considered affordable. Santander said that Mrs H's broker had confirmed that her planned retirement age was 75. Santander said that any concerns about the advice given would need to be taken up with the broker.

Mrs H brought her complaint to our service, where an investigator looked at what had happened. However, he wasn't persuaded that the complaint should be upheld. He was satisfied that Santander had based its lending decision on the information provided at the time of the application. Although certain credit commitments hadn't shown up on the credit check Santander carried out, these also hadn't been mentioned on the application form.

Overall, the investigator didn't think Santander had acted irresponsibly in granting the mortgage.

Mrs H disagreed and asked for an ombudsman to review the complaint.

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 am grateful to Mrs H for answering the additional questions I asked the investigator to raise, in order to clarify my understanding of the circumstances at the time of the application and since. I also asked the investigator to obtain the broker's file, but the broker has confirmed that this has now been destroyed, in line with standard retention policies. It is not therefore possible to see what information the broker compiled at the time of the application.

The crux of this complaint is that Mrs H says that, if Santander had carried out sufficient checks, it would have known that her earnings were £10,000 less than declared on the application form, her retirement age was not 75 and that she had additional credit commitments. Mrs H says that if Santander had carried out due diligence, it would have found out about all of this and so would not have agreed the mortgage.

Regulations in place at the time required Santander to carry out an affordability assessment. The regulations state that Santander could *"rely on any evidence of income or information on expenditure provided by the customer unless, taking a common sense view, it has reason to doubt the evidence or information..."* Santander also had to take *"reasonable steps to obtain details of the customer's actual outstanding commitments..."*.

I'm satisfied that Santander *did* verify Mrs H's income. The payslip Santander was provided with (certified as a true copy by the broker) shows that Mrs H's gross pay for the month of October 2016 was £5,492.50 per month, which equates to an annual salary of £65,910, in line with the information on the application form. The application stated that Mrs H's intended retirement age was 75, which meant that Santander did not need to obtain verification of income into retirement, as this would be after the mortgage term had ended. Santander was entitled to treat the information and documentation the broker had provided as being true and accurate.

The regulations also state that a credit search should be carried out, which both Santander and the broker did. However, none of the additional credit commitments which Mrs H has now told us she had at the time showed up on the credit search Santander carried out. They weren't declared on the application either.

If Mrs H had provided the broker with details of those commitments but he didn't include them on the application, that's something she'll need to take up with the broker. The broker has confirmed his file has been destroyed, and Mrs H has told us she hasn't kept any paperwork from him. Therefore it has not been possible to verify what information the broker had in order to advise Mrs H about the mortgage.

However, I note that the address for one of the credit commitments was different from the address on the mortgage application. I also note that the bank statement Mrs H has now provided which shows payments going out for other debt commitments bears a different sort code and account number from the certified copy current account statement Mrs H's broker provided to Santander. Neither of these showed up on the credit search Santander carried out. The mortgage application shows that the broker also carried out a credit check, so it is

reasonable to conclude that these commitments didn't show up on his either, otherwise they would (or should) have been included on the mortgage application.

After completion of the mortgage in December 2016, all payments were made in full and on time, until February 2019. Mrs H has confirmed that she left her employment in 2018. This suggests that it is more likely than not that affordability became an issue when Mrs H was no longer receiving her regular salary, rather than at the point the mortgage was taken out. I note Mrs H's income also suffered during the pandemic, and that arrears were capitalised in 2021.

Overall, I'm satisfied that, based on the information available to Santander in late 2016, the mortgage was not unaffordable at the time it was granted. Consequently, I am satisfied that Santander did not act irresponsibly in granting the mortgage.

I am very sorry to note that Mrs H is experiencing financial difficulty, and I have no doubt this is an extremely stressful time for her. Santander is required to comply with its regulatory obligations to assist customers who are having difficulty making their mortgage repayments by offering suitable forbearance, where appropriate. Mrs H should speak to Santander about what it can do to help her, particularly as regulations concerning forbearance have recently changed and so there might be more Santander can do for her.

Alternatively Mrs H might find it helpful to speak to one of the free advice agencies, such as StepChange, Citizens Advice, Shelter or the Housing Loss Prevention Advice Service. We can provide contact details for those agencies if Mrs H would like us to.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 September 2023.

Jan O'Leary
Ombudsman