

The complaint

Mr and Mrs M complain that Santander UK Plc didn't treat them fairly when the term of their interest only mortgage expired.

What happened

Mr and Mrs M took out an interest only mortgage in 2007. They received a letter from Santander in 2021 reminding them that the outstanding balance would need to be repaid at the end of the term in December 2022.

Mr and Mrs M got in contact with Santander in 2022 and asked for a term extension. They say they also took advice from an independent financial adviser, who said they should stay with Santander. Santander didn't agree to extend the mortgage term saying this wasn't affordable.

Mr and Mrs M say they were unable to re-finance or extend the mortgage term due to delays by Santander in 2022. They say that during these delays interest rates increased, making these options unaffordable.

Our investigator said while the application for an extension took longer than he'd have expected, this wasn't due to errors or delays by Santander.

Mr and Mrs M didn't agree and asked that an ombudsman re-consider the matter. In summary, they didn't consider the information requested by Santander was necessary, Santander didn't accept documents in the format they provided or said it didn't receive copies they'd posted. Mrs M said they were misled that they'd be offered an extension and about the products that would be available to them.

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.

First, I must be clear about the complaint I'm looking into. We've explained that we can't look into Mr and Mrs M's complaint that the mortgage was mis-sold by Santander. And I can't look into their concerns about the advice given by the broker that recommended the mortgage here – this complaint is about Santander, not the broker. I should also explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The term of Mr and Mrs M's mortgage was due to expire in December 2022. Santander wrote to them to remind them of this and to ask how they intended to repay the balance. It sent these letters from late 2017 to late 2021.

Mr and Mrs M say they thought they had an endowment policy that would repay the mortgage. I can't see that Santander was responsible for them thinking – incorrectly – this

was the case. There's nothing in the mortgage offer, mortgage statements or other documents that Santander issued that suggests this.

Mrs M says she wrote to Santander in early 2022 saying they thought they had an endowment and didn't receive a response. It's not clear that Santander received the letters or what response Mr and Mrs M expected it to provide that could have changed matters. Mrs M says Santander then wrote to them saying they had an interest only mortgage and had a balance of about £250,000 to repay at the end of the year. Although Mrs M said they were shocked and upset by this, this was the same information that Santander had previously provided in mortgage statements and the letters reminding them about the term expiring.

Mr and Mrs M contacted Santander in May 2022 to ask about their options. They asked for a term extension. Santander asked them to upload documents to support an application.

Rules on mortgage regulation require Santander to carry out an affordability assessment before it offers to lend or vary a mortgage contract. Mr and Mrs M wanted to vary their mortgage contract by extending the term. In order to assess whether this was affordable, Santander needed information and evidence about Mr and Mrs M's income and expenditure. So I think it was right and fair that it asked Mr and Mrs M for documents, such as pay slips, bank statements and information about their pensions.

Mr and Mrs M say they couldn't provide documents related to their jobs or pensions immediately. And Santander didn't accept all of the documents in the form they uploaded. I appreciate Mr and Mrs M's frustration but having looked at Santander's notes I don't think its requests were unfair. I think Santander was entitled to ask that documents were provided without alterations and that photos of documents showed the whole page, were clear and included Mr and Mrs M's names.

Lenders can ask for further information after reviewing the documents provided. Santander asked for more information about payments to a debt charity shown in Mr and Mrs M's bank statements. Given it had to assess whether a term extension was affordable, I think this was a fair and reasonable request. Mr and Mrs M had difficulty uploading documents related to their debt management plan in a form acceptable to Santander. But, as I said, I think it was reasonable for Santander to ask that documents were clear and complete. Unfortunately, by the time this was provided, other documents (such as monthly payslips and bank statements) were out of date and the latest ones needed to be provided. There were also problems with the identity documents Mr and Mrs M provided.

Santander didn't have the information and evidence it needed to assess Mr and Mrs B's request for a term extension until September 2022. It said a term extension wasn't affordable while Mr and Mrs M remained on a variable rate. But the value of Mr and Mrs M's property shown in Santander's systems meant they didn't meet loan to value criteria for a new interest rate product.

Mrs M thought the house was worth more than the value Santander had in its system. Santander arranged a valuation of the property. This was in the hope that the property value would be high enough for the application to proceed with an interest rate product. Santander explained that the application would still need to be assessed, and the interest rate quoted was only valid on that day and might not be available after the application progressed.

In October 2022 Santander told Mr and Mrs M it couldn't offer them any options. It told Mrs M a term extension wasn't affordable, even if it applied a lower interest rate available in mid-2022. There wasn't enough equity in the property to proceed with an application for a lifetime mortgage, and Mr and Mrs M didn't have a pension lump sum they could draw to

reduce the balance.

Mr and Mrs M want a new interest rate product, to reduce their monthly payments. But a fixed rate product would likely include an early repayment charge (ERC). It wouldn't be fair for Santander to allow Mr and Mrs M to take out a product with an ERC when there's a risk they will repay the mortgage during the product term (either by re-mortgaging or selling the property).

For completeness, I should say that rules on mortgage regulation allow lenders to vary a mortgage contract despite concerns about affordability in limited circumstances if this would be in a customer's best interests. This doesn't mean it can't consider affordability – it's unlikely to be in Mr and Mrs M's best interests to extend the mortgage term if this isn't affordable. And there's no suggestion here that Mr and Mrs M would be in a better position at the end of a term extension – for instance that they would then have the means to repay the mortgage or that better options would be available to them at that time.

Santander reviewed Mr and Mrs M's circumstances again in early 2023. Unfortunately, it said an extension was not affordable.

From September 2022 interest rates were rising. I understand why Mrs M says this affected affordability. But Santander told Mrs M it had assessed a term extension as not affordable even if, as a concession, it applied the lower rates available in mid-2022. I can also understand that discussing the mortgage and providing documents to Santander has been time consuming and stressful. But I don't think Santander could have considered what support and options might be available without this information from Mr and Mrs M.

I don't think Santander made errors or caused unnecessary delays. Mr and Mrs M didn't contact Santander to ask about their options until May 2022. Santander couldn't consider what options and support it could offer without information from Mr and Mrs M about their circumstances, which it didn't have until September 2022. And then it needed a valuation of the property to allow the application to progress. If Mr and Mrs M missed out on other options to re-finance the mortgage during this time I don't think I can fairly find that Santander was responsible for this.

In the circumstances, I don't think it's fair and reasonable to require Santander to agree to a term extension or apply an interest rate product available in mid-2022 to Mr and Mrs M's mortgage.

Mr and Mrs M told us that a close family member has been unwell and this has been a stressful time. Mr and Mrs M are in a difficult position and I appreciate how worried they must be. I'd urge them to stay in contact with Santander about their plans to repay the mortgage. And I'd expect Santander to treat Mr and Mrs M fairly.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 2 February 2024.

Ruth Stevenson
Ombudsman