

The complaint

Mr and Mrs G complain that when they asked Santander UK Plc for a mortgage, it overestimated how much they could borrow. Mr and Mrs G said they paid a deposit on a house in reliance on this, and ended up committed to a purchase they couldn't afford.

What happened

Whilst this complaint is brought by both Mr and Mrs G, as the mortgage is in both their names, our dealings have been with Mr G. So I'll mainly refer to him in this decision.

Mr G said in August 2021 he and Mrs G secured a mortgage offer with Santander to buy a new-build home. On the strength of the offer, which would have allowed them to borrow £250,000, they paid a large deposit for the new house they wanted.

Mr G said unfortunately their new home wasn't ready by the time this mortgage offer expired. So they needed to apply for a new mortgage. Mr G said Santander then wouldn't offer them the same lending. It said this was because Mrs G's wage had gone down.

Mr G said that wasn't the case, and asked Santander to check again. He told us Santander then accepted it had previously offered more than they could afford. But he said Santander didn't accept this was a mistake, and it didn't apologise. Mr G said they had paid a non-refundable deposit of tens of thousands, on a house they could no longer afford to buy.

Mr G said he suggested to the advisor that they might still be able to get all the lending they needed to complete their house purchase, if they paid off some of their loans. And he said Santander told him that if they did pay off a considerable amount of debt they could get the mortgage they need to buy the house.

Mr G said he and Mrs G had to pay off £18,000 of debt so they could reapply for the lending they needed. He said they were going to use that money to pay for flooring, furniture, and landscaping in their new home. They were no longer able to buy those things. Mr G said if Santander hadn't made a mistake with the offer it made in August 2021, they would never have paid the deposit for a house they couldn't afford to buy and furnish as they wanted.

Mr G said Santander had paid £200 in compensation and extended their second offer for an extra month. But he said the house wasn't going to be ready before the extended offer expired. So he wanted Santander either to extend the offer by two months instead of one, or pay compensation of £12,000 to cover the higher interest rates that he and Mrs G would have to pay if they took a mortgage elsewhere.

Santander said something different. It sent us letters it had sent to Mr and Mrs G. Those letters are somewhat confusing, as Santander doesn't appear to have understood at the beginning what Mr G thought had gone wrong, and it hasn't been clear in those letters about where the income figures it first used for Mrs G, came from. But overall, it does appear that Santander accepted it had made a mistake, just not the one that Mr G thought it had made.

Santander said there was nothing wrong with the first offer it made. It said it had confirmed

the figures it used with Mr and Mrs G over the phone, on 27 July 2021. They had then agreed that Mrs G had a net monthly income of £2,982.

Santander's first mortgage offer, issued in August 2021, unfortunately expired before Mr and Mrs G's property was ready. So Mr and Mrs G needed to make a second mortgage application. And it was here Santander said it thought it had made a mistake.

Santander said Mr and Mrs G were initially offered a lower borrowing amount on this second application, of £222,418 over 25 years. Santander said Mrs G's income had reduced, since the first application, so it didn't think that lower offer was a mistake.

But then Santander looked at extending the term of their mortgage, to increase the available borrowing. And then it did make a mistake. Santander said it had given Mr and Mrs G a figure of £228,000, over 35 years 4 months. This was in December 2021, during the first of two interviews that Mr and Mrs G had for their February 2022 mortgage offer.

By the second mortgage interview, in January 2022, Santander realised it had based this figure of £228,000 on a longer term than it was able to give Mr and Mrs G. It had worked out the possible mortgage term based on Mrs G's date of birth, and it should have used Mr G's, as he was a little older. So, with a shorter term, they wouldn't be able to borrow as much.

Santander understood that Mr and Mrs G then paid off some debts, to increase the amount of mortgage lending it would make to them. Santander said it hadn't advised Mr and Mrs G to do that. But it noted that they'd then secured an offer of £265,999 in early February 2022.

Santander said it had extended Mr and Mrs G's offer by one month, to the end of August 2022, but if the property wasn't ready by then, their second mortgage offer would expire, and they would need to reapply again.

Santander said it would pay Mr and Mrs G £250 in compensation, for its mistake, £50 more than it had previously offered. But it didn't think it was responsible for the delay in completion of their property, so it wouldn't extend their offer further. And it wouldn't pay as much compensation as Mr G wanted.

Santander understood Mr and Mrs G had been speaking to another lender, and had another offer in place that would run past August 2022, in case their property wasn't ready within the validity of the second offer Santander had made.

Our investigator didn't think this complaint should be upheld. He said the first mortgage application, made in summer 2021, had been based on a higher income for Mrs G than the later application. That was what showed on her payslips, so he didn't think it was a mistake.

Our investigator said it wasn't Santander's fault that Mr and Mrs G's new-build property wasn't ready before the second offer expired. Our investigator understood Mr and Mrs G had eventually bought their house with a mortgage from a different lender.

Our investigator thought Santander had done enough to make up for the mistake it did make, using Mrs G's date of birth instead of Mr G's. He didn't think it had to do any more.

Mr G didn't accept that. He said Santander only said at first that Mrs G's income had gone down by the time of the second application. When it checked, it realised that the payslip it used for the first application had some expenses which had falsely increased the monthly income, and it had used this payslip figure for Mrs G. So it got her income wrong.

Mr G said Santander should have checked the pay slips against the signed declaration of

Mrs G's earnings. He said it obviously didn't, and he said that was why they had put down a deposit on a house they couldn't afford. Mr G said we hadn't addressed this.

Mr G said he had initially paid off lending to get the mortgage he and Mrs G needed. Then he'd had to take out new, short term loans, after buying the house. Mr G said he'd be stuck paying these back for many years, and he regretted buying the house.

Our investigator asked both parties for some more information, but he didn't change his mind. He said he'd compared the payslips Mrs G sent for the first and second applications, and the pay was higher on the first payslip. It didn't show any holiday pay or expenses. So he didn't think Santander had wrongly assessed Mrs G's income. And he thought Mr and Mrs G were then initially offered a lower amount of lending, for their second application, because of the reduction in Mrs G's income.

Our investigator said it was also important to take into account that the different lender Mr and Mrs G then took out a mortgage with, also thought this lending was affordable for them. Our investigator said he still wouldn't ask Santander to do any more.

Mr G still disagreed. He said Mrs G's payslip for June 2021 might not have showed holiday pay or expenses, but it still included them. He said they'd sent a signed application saying what Mrs G's salary was, and if Santander had cross-checked that application against Mrs G's payslip, it would have seen the mistake. Mr G said that it was in reliance on the resulting mortgage offer that they paid the deposit on the house, so he still thought it was Santander's fault they committed to this property purchase, which he now regrets.

Mr G wanted this complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

The first application

Our investigator said Santander had assessed Mrs G's income correctly, on the first application. I think that's right, but I think when our investigator mentioned figures, he was looking at the payslip Mrs G sent Santander then. And, although I can see there has been some confusion around this, that's not the figure I think Santander used.

Mr G said the June payslip wasn't right, it wasn't representative of what Mrs G was really earning at the time. He said it contained some expenses and holiday pay.

There are no expenses or holiday pay noted on the payslip itself, so that wouldn't have been clear to Santander.

But Mr G also said the figure on that payslip didn't match the one he and Mrs G had given Santander, when they'd been asked to tell it what their monthly salaries were. So he thought if Santander had used this payslip figure, it had been negligent, and he and Mrs G shouldn't have been led to believe they could afford this house.

But I don't think the figure on Mrs G's June 2021 payslip is the one Santander used for Mrs G's income, on the first mortgage application they made. I can see the printout of their application form states a net monthly income for Mrs G of £2,982, not the higher figure shown on her payslip.

That lower figure is the one Santander mentioned in its complaint response letter, sent on 10 August 2022. In that letter, Santander said it set out the following figures for Mr and Mrs G on a call on 27 July - £2,982 for Mrs G's income, and £1,722 for Mr G's income, making a total of £4,704. Mr and Mrs G had confirmed then that these figures were accurate.

That's also consistent with the amount set out in the mortgage recommendation report Santander sent to Mr and Mrs G, on 27 July 2021. The report listed a total net monthly salary for them both, of £4,704.

So, I think Santander did base its first offer on the information about Mrs G's salary that it received directly from Mr and Mrs G, and then confirmed with them during their application. I don't think it used the higher net figure shown on her payslip. And that means I don't think there was a mistake by Santander, in its first offer to Mr and Mrs G.

There's nothing to make me think that Santander had offered in August 2021 to lend Mr and Mrs G money that it ought to have known they couldn't afford. I don't think Santander is responsible for decisions on a property purchase Mr and Mrs G took, based on this offer.

The second application

Santander said Mrs G's income had gone down by the time of the second application. I've checked what Santander has said about that too, and I think that's also right.

Mrs G had changed jobs, since the first application was made and the offer issued in August 2021. Santander has sent us a new employment contract for Mrs G, dated 1 October 2021. And it also sent us Mrs G's payslips for November and December. Those do show a lower net salary each month, of just over £2,100. That amount isn't just lower than the amount set out on Mrs G's previous payslip, it's also lower than the amount Mr and Mrs G previously gave to Santander, as Mrs G's net monthly earnings.

I think that's likely to have contributed to Santander's decision then to offer a lower amount. I don't think that was a mistake by Santander.

Santander accepted it did make a mistake, when it told Mr and Mrs G they could have a much longer mortgage term. However, this mistake appears to have been remedied quickly. I can see that it only ever made a small difference to the available lending, and unfortunately still didn't get them the amount they needed to complete their purchase. So I think this had a limited impact on Mr and Mrs G, and the payment of £250 that Santander has made does provide a fair outcome to this part of their complaint.

Mr and Mrs G then decided to use some money they'd set aside for fitting out and furnishing their new home, to pay off some of their pre-existing short-term lending instead. They did that so they could still get the mortgage lending they wanted. I think it was their decision to do this.

Following this, Santander increased the amount it said they could borrow. But I can see its mortgage recommendation report dated 26 January 2022 still shows a lower monthly net salary for Mr and Mrs G combined, than the previous report. In January 2022, this monthly net income had dropped to £3,780.

I understand Mr and Mrs G have since made some purchases for their new home on credit, which Mr G says will take a considerable time to pay off. Mr G has said they are

hugely disappointed in how things have worked out with their new purchase. I've been very sorry to hear about the stress this has put them under. But I don't think that's Santander's fault.

My provisional view is that I don't think Santander has to do more than it's done already in this case. And, although I know I Mr and Mrs G will be disappointed, that means their complaint won't be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Only Mr G replied.

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.

Mr G said he was totally confused about my provisional decision. He said I was saying their mortgage was recalculated at a lower amount because Mrs G had changed jobs. But he said that was wrong. Mr G said Santander had told him that Mrs G's income had reduced, but the pay slips were from the same company.

Mr G wanted me to find the date that this happened, get the relevant call recording, and provide proof of when he and Mrs G were told of this reduction, and check both payslips. Mr G said he was convinced that when they were told they could only borrow a lesser amount, Mrs G was at the same company. He said that's why they were so confused about being told that Mrs G's income had gone down.

Our service sent Mr and Mrs G copies of Mrs G's payslip for end June 2021, and for end December 2021, which are from different employers. I'll refer to the first of these as Employer A, and to the second, where we have both the payslip and new employment contract, as Employer B. Our service also sent Mr and Mrs G a copy of Mrs G's new employment contract with Employer B. That was dated 1 October 2021, and said Mrs G would start work with Employer B on 1 November 2021.

Mr G wrote again, to say he still didn't think our service had got things right. He said the crucial part was when they paid the deposit for the house. Mr G said as he remembered it, they'd submitted the application first with the payslips from Employer A, and got a mortgage in principle, then extended with the second payslip from Employer B.

I think I should pause here to note that this would mean it was the payslip from Employer A which was relevant for their first offer – the offer which Mr G has argued gave them the confidence to pay their deposit.

Mr G said that when they needed to extend their mortgage again, they provided another payslip from Employer B, and that was when they were told there had been a reduction in Mrs G's income. Mr G said he'd said then that wasn't possible as the pay slips were from the same company. It was then that they had realised that the first pay slip from Employer B contained expenses.

Mr G said his timeline was that they had provided the first payslip from Employer B, got the mortgage, then placed the deposit, then extended with the second slip from Employer B, and that's when the mistake was realised.

I understand Mr G wanted me to listen to call recordings, which he said would support his argument here. But I haven't requested all the call recordings that Santander holds in this

case, to try to locate a call recording where Mr G was told the above. That's because I don't think those are likely to support what Mr G now tells us. I think there is unfortunately still some confusion over the timeline here, and what Mr G says now doesn't seem to me to be consistent with his previous complaint to us, or with the dates on the documents that Santander has sent us.

When Mr G replied to our investigator's view, in an email dated 9 August 2023, he said he thought Santander had made a mistake over Mrs G's salary, and this mistake was based on Mrs G's payslip of June 2021, from Employer A. But he's now saying that this mistake was made later, on the payslips supplied for Employer B.

The core of Mr and Mrs G's complaint, was that Santander got Mrs G's income wrong when it first made them a mortgage offer. So they paid a non-refundable deposit on a house they said they later realised they couldn't afford.

Mr and Mrs G made their first mortgage application in July 2021, and received an offer on 9 August 2021. I think it's reasonable to assume they paid their deposit shortly after this, as that's consistent with the documentation I've seen, and with what Mr G told us when he first complained to us, and when he replied to our investigator's view.

The offer that was made on 9 August 2021 was available until 31 January 2022. It wasn't extended. Santander's notes show that Mrs G contacted it again in December 2021, to see if the previous offer could be extended, and was told it could not.

So Santander made a mortgage offer in August 2021, when Mrs G was working for Employer A. It didn't reconsider its lending to Mr and Mrs G until they approached it again in December 2021. By this time, Mrs G had changed employer, and was working for Employer B.

Mr and Mrs G then made a fresh mortgage application with Santander in December 2021. Santander did review its lending to them at this point, and Mr and Mrs G were initially told they could borrow less than Santander had offered in August 2021. Santander says this is because Mrs G had changed employer, and was earning less with Employer B. Both the dates and amounts on Mrs G's payslips support what Santander has said about this.

I have considered Mr G's new arguments, and I'm sorry to have to tell him that I haven't changed my mind. I still think that Santander didn't make the mistakes Mr G has suggested in assessing Mrs G's income as part of the mortgage offers it made. And I think the payment of £250 that Santander has made, does provide a fair and reasonable outcome for the mistake I can see it did make, when it wrongly suggested it could extend the mortgage period based on Mrs G's age, without accounting for Mr G's age too.

For those reasons, I still don't think this complaint should be upheld. I'll now make the decision I originally proposed.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 25 December 2023.

Esther Absalom-Gough
Ombudsman