

## **The complaint**

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

## **What happened**

The term of Mr and Mrs B's interest only mortgage was due to expire in November 2022.

In 2022 Mr and Mrs B asked Santander to extend the term of their mortgage. It declined, saying this wasn't affordable. The mortgage term expired with an unpaid balance. Mr and Mrs B's interest rate product also ended and their monthly interest payments increased. They couldn't take out a new interest rate product as the term of their mortgage had expired. Mr and Mrs B were concerned that the amount of interest applied to their mortgage account in late 2022 wasn't right.

In April 2023 Santander agreed to extend the mortgage term. Mr and Mrs B say they were given misleading information by Santander in 2022. They say it told them not to sell the property and suggested it would offer a term extension. They say if they hadn't been misled they'd have looked at options to avoid being on Santander's standard variable rate (SVR) for several months.

Our investigator said Santander considered Mr and Mrs B's request for a term extension fairly and hadn't misled them.

Mr and Mrs B didn't agree and asked that an ombudsman re-consider the matter.

## **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.

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.

Rules on mortgage regulation require lenders to carry out strict affordability checks before agreeing to lend or vary a mortgage contract. There are limited exceptions to this.

Mr and Mrs B told Santander their plan was to sell the property and downsize. They wanted a term extension on interest only terms to give them more time to plan and arrange this. As Mr and Mrs B wanted to vary their mortgage contract to extend the term, Santander asked them for information to assess if this was affordable.

In 2022 Santander told Mr and Mrs B a term extension wasn't affordable. It suggested they contact an independent financial adviser to discuss their options. In late 2022 Mr B said he wanted to apply again for a term extension once he started to receive his pension (after late January 2023). Santander agreed to hold recovery action until Mr B was able to provide evidence he was receiving pension income.

Santander assessed the term extension as unaffordable in early 2023. However, it did offer Mr and Mrs B a term extension and a fixed rate product in April 2023. It said a change in the value of the property meant Mr and Mrs B met its criteria to extend the term on interest only terms.

Mr B said Santander misled them in 2022 that it would offer a term extension. He says if they'd known how long it would take to arrange this they'd have looked at other options, such as selling the property sooner. This would have avoided them having to make high interest payments while on the SVR for several months from November 2022.

I'd expect Santander to discuss with Mr and Mrs B what options they might have at the end of the mortgage term. That could include looking into extending the term. But that's not the same as saying an extension would certainly be offered. I appreciate that Mr and Mrs B spoke to Santander a number of times and it's possible they were given the impression a term extension would be available more easily than it was. But based on the evidence that is available to me, I can't fairly find that Santander misled Mr and Mrs B that it would certainly offer a term extension or that it advised them not to sell the property.

Also, I don't think the available evidence suggests Mr and Mrs B would definitely have sold the property or taken other steps to repay the mortgage sooner, if they'd known a term extension wouldn't be in place until March 2023. This is for the following reasons.

I think a term extension was Mr and Mrs B's preferred option. Mr B told Santander they intended to sell the property and downsize, but wanted more time to arrange matters before doing so. He told Santander they needed a year or two to do up the house before selling it. Although Mr and Mrs B were aware by late 2022 there was no guarantee Santander would offer an extension, they decided to wait and apply again in 2023 rather than pursue other options.

Other options might not have been better or cheaper or easily available. If Mr and Mrs B had repaid the mortgage before early November 2022 (either by selling the property or re-mortgaging) they'd have paid an early repayment charge of about £7,000. Mr B told Santander they'd put the property on the market in September 2022 but it didn't sell.

And I do need to take into account that Mr and Mrs B couldn't have known in early or mid-2022 that interest rates would increase as they did in late 2022. So while Mr B says they'd have taken steps in 2022 to avoid being on the very high payments between November 2022 and April 2023, they couldn't have known the cost of these payments until late 2022.

I appreciate that Mr and Mrs B were on the SVR at a time when interest rates had increased. It's possible they'd have been able to secure a lower interest rate product if Santander had agreed to extend the mortgage term in mid-2022 (although they'd have needed to bear in mind the ERC in their existing product). But at that point Santander had assessed a term extension as not affordable. So I can't fairly say that it should have agreed to this. I think it was fair for Santander to suggest that Mr and Mrs B take independent financial advice to explore their options.

It took some time for a term extension to be agreed and I can appreciate this was a difficult time for Mr and Mrs B. But I don't think Santander treated them unfairly. I don't think it's fair and reasonable to require it to pay compensation or apply a lower interest rate to their mortgage.

Mr and Mrs B's interest rate product expired in early November 2022 and their mortgage went onto the SVR. Santander didn't collect a higher payment in November 2022. It added the additional interest for November 2022 to the payment due in December 2022. I don't

think Mr and Mrs B lost out financially – they simply paid this interest in December 2022 rather than in November 2022. And Santander wrote to Mr and Mrs B setting out the payments due in November 2022, December 2022 and January 2023, so I think they were made aware of the amount of each payment.

### **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 B and Mr B to accept or reject my decision before 2 February 2024.

Ruth Stevenson  
**Ombudsman**