

## **The complaint**

Ms D and Mr F complain about Santander UK plc's handling of their application for a change of borrowers and a term extension on their mortgage. They say it made mistakes, caused avoidable delay, and failed to communicate with them.

## **What happened**

Mr F and Ms D are father and daughter. They jointly owned the property Ms D lives in, with a joint mortgage with Santander.

In May 2020, they had taken a two-year tracker interest rate product, which was due to end in May 2022. The mortgage was being paid on an interest-only basis and was due to come to the end of its term and be repaid in full in May 2022.

In February 2022, Mr F wrote to Santander explaining the family's situation and saying Ms D may be in a position to take sole ownership of the property. He asked for a reply and advice. Santander wrote back to Mr F at the mortgaged property address, saying it required him to speak to one of its mortgage advisers in order to apply for a change of parties. It provided contact details.

Ms D went on to make an application for a mortgage in her sole name. However, her employment contract was short-term and didn't meet Santander's lending criteria. She provided various documents over a period of months but, in August 2022, Santander declined her application.

In the meantime, the interest rate Mr F and Ms D were paying on their mortgage had increased significantly, resulting in much higher monthly payments. In November 2022, the mortgage was repaid following a remortgage to another lender.

Mr F and Ms D had by then complained. They said they hadn't agreed to pay a higher, punitive interest rate, Santander had made numerous mistakes and caused avoidable delay, and they had lost out as a result. They said they had also been caused considerable inconvenience and worry.

Santander firstly said it hadn't received Mr F's letters. It then said in July that it had in fact received them, and it had replied. It also said it had explained the process Mr F and Ms D should follow in order to make changes to the mortgage, and apologised if they had faced long wait times to get through by phone. It had declined Ms D's application in April because Ms D didn't meet its employment lending criteria, and in June Ms D had re-applied as her employment contract was changing. That application was ongoing, and it couldn't offer a new interest rate product in the meantime as the mortgage term had expired. It apologised for its poor handling of the complaint and paid Mr F and Ms D £250 by way of compensation.

Mr F and Ms D referred the complaint to us. Our Investigator concluded that Santander had made some mistakes, but that it had told Mr F and Ms D what it needed in order to go ahead with the application, and it hadn't caused unreasonable delay. He said £250 compensation was fair in the circumstances.

Mr F and Ms D didn't accept that conclusion and asked for it to be reviewed. They said Santander had taken from February until October 2022 to consider Ms D's application, and that was far too long – whereas it took the new lender Ms D had applied to in October 2022 just five working days to complete the necessary checks on her financial situation. They also said they had considerable difficulty contacting Santander throughout the whole process, and the mortgage payments on the Santander mortgage increased dramatically through this time.

### **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.

Having done so, I've come to the same overall conclusion as the Investigator did, for broadly the same reasons.

I can understand why Mr F and Ms D thought there would be plenty of time to make the changes they wanted to the mortgage before their existing interest rate product and term ended. However, this wasn't a straightforward product switch. Ms D wanted to take on the mortgage on her own, as well as to extend the term and take a new interest rate product. All of that meant that she effectively had to make a new application and Santander had to carry out a full assessment of her financial situation. That was entirely reasonable and in line with regulatory requirements: Santander needed to be satisfied that Ms D would be able to afford the mortgage on her own.

The reason Santander declined Ms D's application was the short-term nature of her employment contract, which Santander discussed with her a number of times. Ms D provided Santander with all the information it asked her for, but it nevertheless declined her application. Having considered its records of the application, I don't find I can conclude that Santander's decision not to agree a mortgage was unfair. Its records show that it applied its usual criteria to Ms D's application. Santander is entitled to set its own lending criteria, and to decide for itself whether it will lend and if so on what terms.

Ms D began her mortgage application in early March 2022. Santander's records say it told her at the outset, on 4 March, that it was:

*"Unable to proceed with app[lication] at this stage – customer aware  
She is on a new 6 month contract with her employer. It hasn't been renewed yet  
She is having a meeting soon with her employer where they will discuss the possibility of making it permanent".*

This indicates that Santander was clear with Ms D early on that it had concerns about her employment status, and I note that there were multiple discussions about her contract in subsequent months. Ms D did go ahead with her application in March. Santander declined it in late April 2022. Ms D then re-applied in late June 2022, once she had an extension to her employment contract. Santander told Ms D it couldn't take her application forward in late August 2022, because she still didn't meet its criteria.

I've noted what Mr F has said about another mortgage lender having completed its checks on Ms D's finances in just five working days. It doesn't necessarily follow, though, that I can fairly find Santander should have done the same – different lenders have different lending criteria. And, as I've already said, I think Santander made clear at an early stage that the outcome of Ms D's application wasn't guaranteed and that her employment contract was an issue.

Overall, I don't find that Santander caused unreasonable delay, or that I can fairly require it to compensate Mr F and Ms D for the increased mortgage payments they had to make following the expiry of the interest rate product they had taken in 2020. Our Investigator was right to say that a new product couldn't be agreed without an extended term being agreed first. The 2020 mortgage offer was clear that the two-year variable rate of 1.19% above Bank of England base rate would end on 24 May 2022, and that after that interest would be charged at Santander's Follow-on Rate: also a variable rate but a higher one than the initial two-year discounted rate. This is what Mr F and Ms D agreed to in accepting the interest rate product in 2020 so, given that the mortgage was still outstanding in May 2022, the interest rate appears to have operated as it should.

I find that Santander made mistakes in this case, including with one of Ms D's appointments with it, writing to Mr F at Ms D's address, and wrongly saying it hadn't received Mr F's letters. But I don't find that it caused significant or unreasonable delay to Ms D's application, and its records show that it called Ms D on a number of occasions in connection with her application – it wasn't entirely reactive in this process.

I consider that Ms D and Mr F should fairly receive some compensation in recognition of the inconvenience and frustration they experienced but, in all the circumstances, I find that the £250 Santander has already paid is a fair and reasonable amount – so I make no further direction.

### **My final decision**

My final decision is that Santander UK plc has done enough to put things right. I make no order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D and Mr F to accept or reject my decision before 15 September 2023.

Janet Millington  
**Ombudsman**