

The complaint

Mr H has complained about what happened when he applied for a new interest rate product on his mortgage he holds with Santander UK Plc.

What I've decided – and why

Mr H took out his mortgage with Santander in October 2020. He borrowed £375,000 (plus fees) over a 30-year term on a repayment basis. His interest rate was fixed at 1.39% until 2 October 2022, after which he would revert to Santander's Follow-on Rate which was noted to be a variable rate tracking at 3.25% above Bank of England base rate.

In June 2022 Mr H applied online for a new mortgage product to take effect from when his existing rate ended. The new rate was fixed at 2.64% until 2 September 2027, and thereafter would be charged at the Follow-on Rate. Mr H signed to accept that new rate on 6 July.

At the end of August Santander wrote to Mr H asking him for up-to-date information about his employment and income. It asked for three months' payslips and three months' bank statements.

Santander then cancelled the rate change application Mr H had made, so Mr H's mortgage moved to the Follow-on Rate.

On 1 November 2022 a query was raised as to why the new rate hadn't been applied. On 18 November Santander issued a letter confirming the new rate had taken effect from 1 November 2022, but that was later reversed on 21 November and Mr H's account remained on the Follow-on Rate.

Unhappy with what had happened Mr H complained to Santander. It responded to his complaint in December 2022 saying it had been decided that a product switch can't be arranged for Mr H at that time, and it had noted his concerns about the conflicting information that it had provided.

The complaint was referred to our service where it was looked at by one of our Investigators. She said that she could appreciate it had been confusing for Mr H due to the timing, but Santander was entitled to make that decision.

Mr H didn't accept our Investigator's findings and asked for an ombudsman to decide the complaint.

In the meantime, on 13 January 2023, Mr H applied online for a new rate of Bank of England base rate plus 0.84% for 24 months, and the new rate took effect from that month.

Whilst the case was waiting to be allocated to an Ombudsman, Santander reviewed matters again and has told us that the original product switch application could now proceed, and it would backdate that to the original date it should have taken place (that is, 3 October 2022).

I issued a provisional decision in November, the findings of which said:

"I thank Mr H for the detailed submissions he has provided about his complaint, which I've read and considered carefully. However, the matter has now moved on because Santander has made an offer to resolve this complaint whilst it was awaiting allocation to an ombudsman.

This service is impartial between, and independent from, consumers and businesses. What this means is that we don't represent either party, and I don't act under either's instructions or take directions on how a complaint will be looked at. As an offer has now been made to resolve this complaint I don't need to look into what happened and why, and that means I won't be answering Mr H's questions, nor will I be ordering Santander to. Instead, I'll concentrate on the offer that has been made by Santander and whether it is fair and reasonable in all the circumstances of this complaint.

Santander has said that it is willing to move the mortgage onto the rate Mr H applied for in June 2022 and backdate that to 3 October 2022 when it should have taken effect. However, because Mr H has since taken a different rate (from January 2023) it needs Mr H to confirm that he still wants to move to the June 2022 fixed rate of 2.64% (rather than stay on his current tracker rate) before it takes any action.

If Mr H chooses to move to the fixed rate Santander has said it will refund any overpayments made each month.

Having considered everything I'm satisfied that fairly resolves the underlying complaint Mr H raised, on the understanding that, if Mr H chooses to move to the fixed rate, interest of 8% simple per annum is added on each overpayment from the date Mr H made the payment to the date it is refunded.

I understand Mr H has also raised concerns about the misinformation he received from Santander at various times over the process, and I can see this would have been confusing for him.

Santander could have been clearer in its communications with Mr H both as part of the initial application and withdrawal, as well as in November 2022 when the new rate was put back on the account and then withdrawn again.

Having very carefully considered everything both sides have said and provided, I feel an additional £150 compensation is due for this misinformation and poor communication."

Both parties accepted my provisional decision and made no further submissions.

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 see no reason to depart from my provisional conclusions.

Putting things right

To resolve this complaint:

- If Mr H confirms that he wants the change to take effect, Santander should move Mr H's mortgage onto the 2.64% fixed rate (until 2 September 2027) backdated to 3 October 2022. Any overpayments Mr H has made in that time should be refunded to him plus 8% simple interest * on each overpayment from the date the payment was made to the date of settlement.

- Santander should pay £150 compensation to Mr H.

* Santander may deduct income tax from this element of my award, if it considers it should do so. But it should give Mr H the necessary paperwork for him to reclaim the tax from HMRC if he's entitled to do so, if he asks for it.

My final decision

I uphold this complaint and order Santander UK Plc to resolve it as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 January 2024.

Julia Meadows
Ombudsman