

The complaint

Mr H complains that Santander UK Plc applied a fee when he repaid his mortgage. This was despite it telling him when he took out the mortgage that it was fee free.

What happened

Mr H took out a mortgage with Santander in 2019. He repaid the mortgage in 2022. Santander applied an account fee of £225.

Mr H says he told Santander in 2019 he wanted a mortgage that was fee free as he intended to repay it early. He says Santander assured him this was the case. He says if he'd been told there was a fee he'd have applied to another lender offering a fee free mortgage.

Our investigator said the account fee was set out in the mortgage offer and Santander was entitled to apply it.

Mr H didn't agree. He said if Santander could provide a recording of his call in 2019 this would support what he said he'd been told – that the mortgage was fee free.

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.

Santander provided a copy of the mortgage offer issued in September 2019 and a change of borrower offer issued in 2020. Both say that there is a £225 mortgage account fee. This can be paid on completion or when the mortgage is repaid (in which case interest is applied).

Mr H doesn't dispute that the fees are set out in the mortgage offer. He says he was misled during a call with Santander that this was a fee free mortgage, and even paid a higher interest rate to ensure it was fee free.

Unfortunately, Santander no longer has recordings from 2019. I appreciate Mr H's frustration about this. I should 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. I've taken the following into account when reaching my decision.

First, without the call recording, I can't be sure that any discussion was about, or even included, the account fee. The discussion could have been about whether there was a product fee or an early repayment charge (both of which would have been a more significant amount of money) or whether Santander would pay for the cost of the valuation.

Mr H says it was read out to him over the phone that the mortgage was free but attracted a higher interest rate as a result. He says he repeated that he wanted a mortgage that allowed a no fee early repayment. This suggests to me that the discussion was about whether the interest rate product he chose included a product fee or early repayment charge. The account fee applies regardless of when the mortgage is repaid or the interest rate.

Second, the mortgage offer sets out the account fee. I don't think it's fair to say that this was a hidden fee or that Mr H wasn't made aware of it.

Third, it's not unusual for mortgage lenders to apply an account fee or administrative fee to a mortgage account. I don't know if other lenders were offering mortgages in 2019 with no fees at all. And, if they were, Mr H would have to consider whether the interest rates they offered would make this saving worthwhile. So, although Mr H says he'd have gone elsewhere to avoid paying any fees, I don't know that he'd have done so.

It's clear that Mr H was upset to be asked by Santander to pay the account fee. But this fee was set out in the mortgage offer that he accepted, and I think Santander is entitled to apply it. I don't think it's fair and reasonable in the circumstances to require Santander to waive or refund the fee.

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 Mr H to accept or reject my decision before 8 December 2023.

Ruth Stevenson
Ombudsman