

The complaint

The estate of Mr T complains that Santander UK Plc did not give the estate sufficient information about the mortgage following Mr T's death, particularly about the interest that would be charged.

What happened

Mr T had a mortgage with Santander with a fixed interest rate of 1.94% until 2 April 2022. After that it reverted to Santander's standard variable rate (SVR).

On 31 August 2021, Mr T sadly passed away. On 20 September 2021, Santander wrote to Mr T's brother stating that it would need a grant of probate or letters of administration. It also said that the mortgage was payable in full and that interest will continue to accrue.

On 11 May 2022, Mr T's mother, Mrs T, was appointed executor of his estate. The estate complains:

- The letter dated 20 September 2021 was too vague about the interest that would be applied – it did not state the interest rate or that it could change.
- Santander added interest to the mortgage before the grant of probate was in place. That was unfair as the estate could not sell the property before this was in place.
- It was only when the estate asked for a redemption statement that it found out that the mortgage had reverted to SVR and the interest rate had increased a number of times. Santander should have told the estate when the interest rate changed. A new interest rate product could have been agreed had the estate been informed of the end of the fixed rate.
- Santander did not do enough to help the estate. It could have frozen the interest, agreed a payment holiday or done something else to help manage the debt.
- Santander should remove any interest applied before probate was granted and rework the mortgage balance with the original fixed rate of 1.94%. The interest is making it likely the property will be in negative equity when it is sold.
- This matter is causing Mr T's family an immense amount of financial stress and worry. And it has not dealt with them fairly or in a professional way.

The investigator did not think the complaint should be upheld.

The estate did not accept what the investigator said. It made and reiterated a number of points, including:

- The initial communication was vague – it gave no indication of what rate would be charged, when it would be charged or that it would change.

- Santander has not and is still not telling the estate about any changes to interest rates.
- The annual statement was sent in August 2022, more than a year after Mr T passed away. That is unacceptable. And it only came about because a redemption statement had been requested.
- The estate knew there was a mortgage to redeem and the property was on the market as soon as possible. The estate does not want the debt written off. Santander has been deceitful, solely to achieve extra profits and to make money. It should apply a fairer amount of interest.

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.

I'm sorry to hear what Mr T's family have been through. I don't doubt the amount of distress and upset this matter has caused them at what was already a very difficult time.

I'd note that the eligible complainant here was Mr T. The estate has the legal authority to bring a complaint on behalf of Mr T following his death. But I don't have the power to compensate the executor or Mr T's family for things that Santander did in relation to the estate or the impact on them personally. I can only consider any financial loss to the estate if I were to find that was fair and reasonable in the individual circumstances of this complaint.

The starting point is that Santander is entitled to apply interest to the mortgage until it is repaid – and it was entitled to seek repayment of the mortgage upon Mr T's death. I appreciate that the property could not be sold until a grant of probate was in place, but that would not prevent Santander applying interest.

I consider the September 2021 letter was clear both that the mortgage needed to be repaid and that interest would be applied until it was repaid. It was for the estate to query what the interest rate was if it was unsure about it.

Santander has explained that when a borrower dies, it does not expect payments from the estate. The missed payments are added to the mortgage balance. The balance is then repaid when the property is sold. This does not seem unreasonable, bearing in mind that the balance was due and payable – and it is not out of line with my experience of what other lenders do in these circumstances.

I understand the estate's position that Santander could have done more to help. But I'm afraid the reality is there is little more Santander could have done. I say that as when the fixed rate expired the mortgage reverted to the SVR or as Santander call it a "follow on rate". It would not be fair for me to say that the mortgage should continue on the fixed rate once it had ended. When lenders give fixed rates, their funding is fixed for the duration of the fixed rate. It would not be fair for me to say that a lender should continue to offer such a fixed rate after it had expired. It is likely that would cause the lender to suffer a loss.

The executor's responsibility is to wind up the estate. They can't enter into new contracts on behalf of the estate. And it is likely they would need to do that when arranging and agreeing to a new mortgage product. Further, any fixed rate product would likely have an early repayment charge. That would not be appropriate bearing in mind the property was up for sale. So I can't see there was any alternative for the estate than for the mortgage to revert to SVR – and that might be the right thing in any case, bearing in mind the mortgage balance was due to be repaid.

I can see the estate's point that Santander could have done more to let them know the interest that was being charged. Again, there was some onus on the estate to check if it wasn't sure about that. And Santander did send annual statements. But even if Santander did tell the estate about the changes to interest rates, I don't think it would have made any difference to the estate's overall position.

I say that because, I've already found the estate could not arrange a new interest rate product. So the mortgage would always have reverted to SVR after 2 April 2022. And as far as I am aware the estate did not make any payments to the mortgage – even when they found out about the interest that was applied. It follows that it is less likely that they would have made payments had Santander told them about the interest. The balance would have been the same as it is now. So Santander has not caused the estate any financial loss.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr T to accept or reject my decision before 21 August 2023.

Ken Rose
Ombudsman