

The complaint

Mrs and Mr B complain that Santander UK Plc incorrectly set a fixed repayment amount for their Flexible Plus Mortgage.

What happened

Mrs and Mr B say they spoke with Santander in 2016 to set a minimum cap for the repayments taken against their Flexible Plus Mortgage. They say they wanted to ensure that even if the monthly repayment required for the mortgage reduced, that their monthly payment would not. So in effect, they wanted to place a minimum cap on what they would pay even if this was more than would have been required.

On 27 September 2016, Santander wrote to Mrs and Mr B and said the direct debit had been updated with a fixed repayment of £837.72 each month and this was to run for five years. This letter explained that any overpayments would be made to the savings pot. It also said that any changes to the interest rate or drawdowns during this period may increase the monthly repayment and it was important that they make sure the arrangement will cover this new repayment.

After this, at different points Mrs and Mr B made a number of drawdowns from the mortgage. Confirmation letters were sent after each one and these set out the new monthly repayment required. This letter also said any planned under or overpayments are not shown in the payments listed and will not be taken into account by the direct debit.

In December 2021, Mrs and Mr B complained about their monthly repayment amount increasing by more than £600. Santander said this was because of the reduced fixed payment that had been in place had come to an end and because of the changes to the mortgage during this period, it needed to increase the payment by this amount.

Mrs and Mr B didn't pay the new monthly repayment amount as they felt Santander made a mistake in 2016. As a result, arrears built up on the account as they paid less than was required and negative information was recorded on their credit file.

Santander looked into their complaint and couldn't agree it had done anything wrong when the repayments on the mortgage remained fixed for five years. It said it had acted on the instructions of Mrs and Mr B and hadn't made a mistake. And the repayment now due had been calculated to fall in line with the remaining term of the mortgage.

Our investigator looked at Mrs and Mr B's complaint and didn't think Santander had done anything wrong. From the information he'd been provided, he was satisfied the agreement had been put in place at the request of Mrs and Mr B and that Santander advised that payments would need to be adjusted if they took further drawdowns.

Mrs and Mr B disagreed with our investigator. They felt their complaint hadn't been properly considered and Santander hadn't done what they asked, which was to ensure the minimum amount collected didn't drop from September 2016. But they didn't ask for the repayment amount to be fixed. They also raised a number of points about Santander's handling of their

account since the complaint has been with this Service.

Our investigator's opinion remained unchanged so the complaint has been referred for decision.

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've decided not to uphold this complaint for much the same reasons as our investigator. I know Mrs and Mr B will be disappointed by this, but I'll explain why I don't think Santander has done anything wrong.

The crux of Mrs and Mr B's complaint is that Santander failed to implement their instructions correctly when they asked it to set a minimum monthly payment on their account. They say they didn't ask for the repayment amount to be fixed so that it couldn't increase, but simply so it couldn't decrease as they had no need for it to be made lower.

Although the phone call is not available from when this instruction was made, I'm not persuaded that Santander made an error. And even if it didn't follow the instructions Mrs and Mr B say they provided, I think its confirmation letter sent after the repayment amount and term this was agreed for was clear.

It did not indicate the repayment had a variable option built into it and I think it set out this was a fixed payment. Equally, I think it provided guidance that any material changes to the mortgage could result in this fixed repayment not being sufficient to meet the minimum amount required. I've set out the relevant parts of this letter below:

"We have now updated your Direct Debit to take a fixed payment of £837.72 each month, starting from 10.10.2016 for 5 years.

Please note that any changes in interest rate or drawdowns during the agreed period may increase your monthly repayment. In this case it's important to make sure that the arrangement will cover the new monthly repayment"

Mrs and Mr B have not disputed that after this point drawdowns were made on the mortgage and I've seen the letters sent confirming the drawdown amount and the impact this had on the mortgage. These letters confirmed the new payment amount required on the mortgage and this was different to what Mrs and Mr B were paying. And as the amount they drew down over time increased, the difference between what the statement said was needed to be paid and what was paid continued to increase with it. It explained if there was an arrangement in place that Mrs and Mr B would need to consider if there are sufficient sums to cover the remainder of the arrangement.

When Mrs and Mr B's monthly repayment continued at the same amount after each drawdown, despite being at odds with the new monthly amount due in line with the confirmation letters sent, I think they would have been aware of an error if Santander hadn't done what they expected. When this was not challenged, or the direct debit amount increased, I think it demonstrates that Mrs and Mr B were happy to have the lower fixed repayment amount.

After the fixed repayment term ended, the mortgage increased to ensure it was inline with the overall mortgage term and I don't think Santander has done anything wrong when this happened. And when Mrs and Mr B paid less than this amount after the arrangement had

ended, Santander had a duty to accurately record how the account was managed with credit reference agencies.

Overall, I am not persuaded it failed to follow Mrs and Mr B's instructions as they have said. I think they were aware from the information provided that the repayment was not in line with the minimum amount required based on the outstanding balance at different points. But were happy to let the lower fixed repayment period continue to run over contacting Santander to ensure the payment amount was increased.

The points Mrs and Mr B have made since this complaint has been raised in relation to Santander and its handling of their accounts after this point are separate to this complaint. If they feel Santander has acted unfairly here, they will need to raise these complaints with it in the first instance.

My final decision

For the reasons I've explained above, 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 20 November 2023.

Thomas Brissenden
Ombudsman