

## The complaint

Mr and Mrs T complain that Barclays Bank UK PLC failed to put in place a new interest rate product on their mortgage as agreed and as a result it has wrongly treated the mortgage as being in arrears.

## What happened

In 2019 Mr and Mrs T arranged a new fixed interest rate product on their Barclays mortgage. There was a delay in implementing the new rate, and Mr and Mrs T made a complaint. In July 2019 a fixed rate of 1.42% until 31 October 2021 was put in place.

In March 2020 Mr and Mrs T asked Barclays for a payment deferral. At the time, payment deferrals were available to support mortgage borrowers during the early stages of the coronavirus pandemic. Mr and Mrs T understood that Barclays had agreed to a three-month payment deferral, followed by a further three-month payment deferral. Barclays however said it hadn't agreed to either payment deferral. It treated the mortgage as being in arrears, and Mr and Mrs T made a complaint.

In September 2022 Mr and Mrs T referred their complaints about the problems they had had with the interest rate switch in 2019 and the payment deferrals in 2020 to the Financial Ombudsman Service.

One of our Investigators concluded that we couldn't look into Mr and Mrs T's complaint, because they had referred it to us more than six months after Barclays had sent them its final response letters in July 2019 and November 2020. The Investigator said that this meant the complaint was time-barred and we had no power to consider it.

Mr and Mrs T then asked us to look into their complaint that Barclays hadn't implemented a further interest rate switch they had arranged in September 2021 and as a result Barclays was treating their mortgage as being in arrears.

In January 2023 Barclays sent Mr and Mrs T its response to this complaint. It accepted that it had taken longer than it should to respond to the complaint and offered Mr and Mrs T £400 by way of apology for that. But it said the mortgage arrears hadn't arisen because of anything it had done wrong.

Our Investigator didn't recommend that the complaint should be upheld. She found nothing to confirm that a new fixed interest rate product was agreed in September 2021. She also concluded that Mr and Mrs T weren't eligible for a new rate because of the arrears on their mortgage.

Mr and Mrs T didn't accept that conclusion and asked for an Ombudsman's review. They said there was clear evidence of a mortgage appointment with Barclays in September 2021, and any arrears showing on their mortgage at that point had arisen as a result of earlier mistakes by Barclays. They said it wasn't fair that they should continue to be penalised for those mistakes, and they had continued to make payments to their mortgage as agreed with Barclays.

## **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 was sorry to read about the difficult time Mr and Mrs T have had in recent years, and I've noted what they've said about how stressful they have found this situation with their mortgage. Barclays now considers the mortgage to be in significant arrears and it's understandable that Mr and Mrs T are concerned.

Mr and Mrs T have referred to their earlier complaints to Barclays about the 2019 interest rate switch and the 2020 payment deferrals. Those have been dealt with separately and, while I have kept them in mind as relevant context for the complaint at hand here, I can't make findings about them in this final decision.

This complaint is about the fixed interest rate product which Mr and Mrs T say they agreed with Barclays in September 2021 but which wasn't put in place.

I'm satisfied that Mr and Mrs T were in contact with Barclays about their mortgage in August and September 2021. Both Mr and Mrs T and Barclays have records of appointments with mortgage advisers being booked, and both parties agree that the first appointment planned for 3 September 2021 was rescheduled to a date a few days later, on 9 September 2021.

Mr and Mrs T have provided copies of emails they received from Barclays asking them to upload documents Barclays needed for their mortgage application, as well as an email dated 6 September 2021 asking them to electronically sign some mortgage documents. Mr and Mrs T haven't been able to provide anything confirming that a new interest rate product was agreed.

Barclays has provided records of the searches it has done for telephone appointments with Mr and Mrs T in September 2021, using various different information and phone numbers. Those records show some voicemails were left for Mr and Mrs T. But they don't show any longer calls, or that a rate switch recommendation was made. Barclays has also said that it has no record of a completed application for an interest rate switch in 2021, and in any event Mr and Mrs T wouldn't have been eligible for a new interest rate product because of the level of arrears on their mortgage at the time.

I've noted what Mrs T has said about the difficulties she has had retrieving documents from her computer, as well as what she has said about her recollections of her discussion with a mortgage adviser. But, on the basis of the available evidence and the surrounding circumstances, I'm not persuaded that Barclays agreed a new fixed interest rate product for Mr and Mrs T in September 2021. There are no documents to reflect such an agreement, and no new interest rate was put in place on the mortgage.

The mortgage was also in arrears of around £10,000 in September 2021 – no payments were made during the period Mr and Mrs T understood payment deferrals were in place between March and September 2020, and payments didn't then resume until February 2021 – some time afterwards. I've seen Barclays' policy for agreeing new interest rate products where a mortgage was in arrears. Its policy was that borrowers weren't eligible for a new rate if the mortgage was two or more months in arrears – as was the case with Mr and Mrs T's mortgage in 2021.

Barclays' policy in this respect is neither unreasonable nor unusual. While a fixed interest rate would usually result in lower monthly mortgage payments, it would also come with an

early repayment charge if the mortgage needs to be brought to an end early – such as in circumstances where the mortgage is no longer affordable and the lender repossesses the property. So a fixed interest rate which a borrower can't maintain can end up costing more in the end. Barclays would want to be satisfied that Mr and Mrs T could maintain the mortgage payments sustainably before agreeing to offer a new interest rate product.

I've noted what Mr and Mrs T have said about Barclays' earlier mistakes having caused this arrears position. As I've said, I can't consider their previous complaints here. But I'm satisfied that Mr and Mrs T weren't eligible for a new interest rate product in September 2021, and I don't think that Barclays agreed a new fixed rate on their mortgage.

I can't be sure what Barclays may have told Mr and Mrs T in any undocumented conversations. But I don't think I can reasonably conclude that it told them it had put in place a new fixed rate when that wasn't the case – and it was clear in subsequent correspondence that no new fixed interest rate was in fact in place. I also think that the recent mortgage arrears as the mortgage stood in September 2021 are likely to have caused Mr and Mrs T some difficulty had they tried to re-mortgage to a fixed interest rate deal with another lender.

The 1.42% fixed rate that began in 2019 ended on 31 October 2021, in line with the mortgage offer Barclays issued on 5 July 2019. Since 1 November 2021, the interest rate on Mr and Mrs T's mortgage has been a variable rate of Bank of England base rate plus 3.49%, as set out in the offer. The mortgage interest rate has therefore operated in line with the terms of the contract.

Since September 2021, Mr and Mrs T have continued to pay their mortgage – but they have been paying around the same amount that they were paying on the fixed rate of 1.42% which ended in October 2021. Their mortgage interest rate is however linked to Bank of England base rate, and so it has increased significantly since 2021 in line with base rate rises.

Barclays has written to Mr and Mrs T regularly saying that the mortgage has been falling further into arrears. It has also instructed solicitors who have been in contact with Mr and Mrs T. I think it has been clear that the mortgage arrears are increasing and Mr and Mrs T's payments aren't covering what is contractually due each month. Now that my consideration of this complaint has ended, I hope Mr and Mrs T and Barclays are able to come to an agreement to resolve the arrears situation.

Barclays has offered Mr and Mrs T £400 for the distress and inconvenience caused by its slow response to their complaint. I think that's reasonable, given that Mr and Mrs T were clearly very worried about their mortgage and they had to wait longer than they should for Barclays to reply to them.

### **My final decision**

My final decision is that Barclays Bank UK PLC should pay Mr and Mrs T £400 by way of compensation if it hasn't already done so. I make no other order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 8 July 2024.

Janet Millington  
**Ombudsman**