DRN-4365147

The complaint

Mr and Mrs F complain that Barclays Bank UK PLC has failed to treat them fairly when they've tried to fix a new rate on their mortgage.

What happened

Mr and Mrs F say they negotiated a new rate with Barclays for their mortgage in May 2022 but around six weeks after this, they were told the fixed rate was cancelled. Mr and Mrs F were then directed to speak with Barclays Customer Home Assistance (CHA) team for support.

When Mr and Mrs F spoke with the CHA team they were told the existing rate of 1.63% they were on, would last for the remaining term of the mortgage. This didn't happen though and instead their mortgage was moved onto Barclays standard variable rate (SVR). Mr and Mrs F feel it would be fair for Barclays to honour the rate of 1.63% for the remainder of their mortgage term. They feel this would allow them to be able to maintain the payments on their mortgage and if on the SVR, it would be unaffordable and legal action might not be avoided.

They also feel Barclays has failed to provide support and options at different points before 2019 when they've been experiencing financial difficulty. Had fixed rates been offered in the past they believe the outstanding balance on their mortgage would have been reduced and this would have helped their financial situation at the time.

Mr and Mrs F had been in arrears with their mortgage for some time and when a product was agreed in 2019, they had considerable arrears on the account. By 2022 they had reduced these arrears by around £20,000 as they'd made a number of over payments during the term of the fixed rate product.

Barclays said when a consumer is in arrears they are not eligible for a product transfer and because of this, it wasn't able to agree a fixed rate product for Mr and Mrs F in 2022. The previous one had been agreed as an exception but it didn't follow this would be agreed again.

Barclays said it was sorry for any confusion caused when Mr and Mrs F spoke with its adviser in the CHA team. It was unable to find any record of an application previously to take a new fixed rate but it felt the agent from the CHA team could have been clearer on the options available. To apologise for the inconvenience it offered £200.

Our investigator looked at this complaint and thought Barclays needed to do more. She didn't think it could be said Barclays had done anything wrong before 2019 when Mr and Mrs F secured a fixed rate for 3 years until May 2022.

But she felt Barclays adviser hadn't just caused confusion but had misrepresented when Mr and Mrs F's fixed rate product was due to end. The adviser said, '*the interest rate you are currently paying is 1.63%. This is for the account ending 64. The final maturity date is 21 June 2027.'* This was something that Mr and Mrs F had relied on and they took no action to look at other rates after this call as they believed there was no need to.

This meant other options like product switches were not considered or discussed and when the product did end a month later, Mr and Mrs F's account went to the SVR with a considerably higher interest rate.

Our investigator felt Barclays had failed to do what it should have when working with Mr and Mrs F to reach an agreement with their mortgage as an alternative to looking to take possession of their property. Although Mr and Mrs F had been in arrears for some time, their demonstratable behaviour ahead of the fixed rate product coming to an end showed a large reduction in their arrears. And she couldn't see that Barclays had fairly attempted to do anything else to support Mr and Mrs F with other options which would be affordable and sustainable.

She felt it would be fair and reasonable for Barclays to apply the five-year fixed rate interest product of 2.32% Mr and Mrs F had applied for in May 2022 and backdate the account to reflect this being in place from when this would have started. She also felt it should arrange an appointment with Mr and Mrs F to discuss the arrears on their account and the options available with this.

Barclays did not accept the recommendation and said Mr and Mrs F had continued to be paying far less than the contractual monthly payment for their mortgage with them only paying around £1000 per month in total. They didn't agree it would be in their best interest to allow the product transfer to be implemented as it could add an early repayment charge to their costs if the property was possessed by Barclays. So it believed it could be making their financial situation worse if this happened.

Our investigator's opinion remained unchanged and 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 to uphold this complaint for much the same reasons as our investigator and will explain why I think it is fair Barclays now takes steps to amend Mr and Mrs F's mortgage.

Mr and Mrs F and Barclays have provided a great deal of information on this complaint. I've taken this all into account when reaching my decision but I won't be commenting on everything that has been said. Instead I've focused on what I believe to be the crux of the complaint.

Mr and Mrs F have been in financial difficulty for some time and there has been ongoing conversations with Barclays about their account and whether it can provide assistance with the arrears that were building up as a result of these. In 2019 it agreed that it would be fair to offer a fixed rate product to Mr and Mrs F to reduce their contractual monthly payment and allow them to reduce the arrears with any overpayment that was affordable based on this.

I've thought about whether Barclays should have offered a fixed rate before this as by 2019, the arrears on Mr and Mrs F's mortgage were quite significant. But as our investigator has said, I have not seen anything to demonstrate a request was made between 2009 and 2019 for a new fixed rate to be considered.

Mr and Mrs F did speak to Barclays in 2017 about it looking to reinstate proceedings on their property and complained about this as they were regularly paying more than the contractual payment at this point and reducing the arrears. This was stopped and they continued with their payments as they had been. Then, in 2019 a rate switch application was made and this was approved as an exception by Barclays legal team. So I don't think it would be fair to say Mr and Mrs F should have been offered a fixed rate product sooner.

However, when Mr and Mrs F made an application to fix a new rate as their previous one was coming to an end in May 2022, I think more could have been done to understand their situation and the impact of the rate being agreed or not. And when misinformation was provided about the previous fixed rate being in place for the remainder of their mortgage term, Mr and Mrs F had additional distress and inconvenience added to their situation. With adding a loss of expectation when they believed, despite the 2022 rate having been withdrawn from them, the lower 2019 rate would continue on.

Barclays has said it shouldn't have provided an illustration for a new fixed rate product to Mr and Mrs F in May 2022 because its policy sets out that Mr and Mrs F wouldn't be eligible for this based on their circumstances. But Barclays has an obligation to act fairly towards customers in arrears and I don't think it has demonstrated this has been done. And I don't think it has acted in the best interest of Mr and Mrs F when it withdrew the new fixed rate product set out in the illustration sent in May 2022 ahead of their previous fixed rate product expiring.

Barclays hasn't demonstrated that it gave due consideration to this as an option for Mr and Mrs F in May 2022 with the correct process not being followed. And I think it would have been reasonable to consider how a new fixed rate for the remainder of the mortgage term would impact them. The total repayment for all parts of Mr and Mrs F's mortgage if moved onto the fixed rate of 2.32% would have been around £1080 per month. Mr and Mrs F had been paying over £1350 per month on their mortgage prior to this which was made up with a of mix of the contractual monthly payments and an overpayment to reduce the existing arrears on the account.

I think it would have been fair based on this to consider whether the fixed rate with arrears remaining to be reduced was an option, or if capitalising the arrears provided an ongoing affordable option.

I appreciate a fixed rate product if provided comes with both benefits and risks. The benefit being the fixed repayment amount over the period of time but the risk is, if Mr and Mrs F were unable to maintain this and possession action was started again by Barclays, an early repayment charge might be added to their costs. But based on what I've seen and have set out above, the fixed rate repayment amount indicated Mr and Mrs F would have been able to maintain this and continue to pay down the existing arrears. And it would have been in their best interest for this to be applied.

In contrast, the move to the standard variable rate saw the contractual monthly payment increase far beyond what Mr and Mrs F had been paying and has led to the arrears increasing again.

In failing to demonstrate why the fixed rate was not an option in Mr and Mrs F's best interests, I don't think it is fair to say Barclays has acted fairly towards Mr and Mrs F and their situation with the arrears they are in. And its actions have made this situation worse over trying to provide an option or concession which might have been out of line with its normal process, but that would have provided a benefit to Mr and Mrs F. And I think this should have been done if Barclays was acting fairly to their situation and the arrears.

I don't think it would be fair to expect the previous fixed rate of 1.63% to be honoured until the end of the term. Although there was incorrect information provided on this point, the mortgage offer provided when this was taken out explained when this rate would end. So it would not be right to increase the term of this product now. But I think it is fair to ask Barclays to apply the rate of 2.32% retrospectively to Mr and Mrs F's account as if this had been in place from 1 August 2022. As I don't think it has treated them fairly and given due consideration to their circumstances. It was a rate available at the time of their previous fixed rate expiring and I think allowing this to be applied as a concession is a fair way to put things right.

Putting things right

For the reasons I've set out above, Barclays Bank UK Plc should do the following to put things right.

- Retrospectively apply the five-year fixed rate as set out in the mortgage illustration from May 2022, with this starting from 1 August 2022.

- Amend Mr and Mrs F's mortgage balance in line with Mr and Mrs F having the option to either reduce down the balance of their outstanding arrears with any overpayments made or to have this money refunded to them. If a refund is chosen, Barclays should apply simple interest of 8% onto this refund.

- It should offer an appointment to discuss the arrears on Mr and Mrs F's account and any other next steps available with these.

- Barclays should amend Mr and Mrs F's credit file to ensure it is a true reflection of how the mortgage would have operated had this rate been in place from August 2022.

- It should also pay the £200 for the distress and inconvenience added when it failed to treat Mr and Mrs F fairly when considering the options it had available to help with their arrears in 2022 if this hasn't already been paid.

My final decision

For the reasons I've explained above, I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 16 April 2024.

Thomas Brissenden
Ombudsman