

## **The complaint**

Miss J and Mr J complain that Barclays Bank UK PLC wouldn't let them take a new interest rate on their mortgage.

## **What happened**

Miss J and her father Mr J have an interest only mortgage secured over Miss J's property. The mortgage was taken out in 2015 over a term of eight years, with a fixed rate of 2.34% applying until 31 March 2020, followed by a tracker rate of 3.49% above the Barclays base rate (which in practice is the same as the Bank of England base rate).

In September 2022 Barclays wrote to Miss J and Mr J reminding them that their interest rate was due to come to an end and inviting them to go online to apply for a new rate. Mr J therefore applied for a new five year fixed rate of 3.15%.

Barclays sent Miss J and Mr J confirmation their application had been accepted in early October. But then they heard nothing more. When they chased Barclays in November, they were told their application for a new rate hadn't been able to go ahead.

Miss J and Mr J complained. Barclays said that Miss J and Mr J couldn't take a new interest rate because there wasn't enough time left on the mortgage term. If they wanted a new rate, they'd have to make an application to extend the term first. It said that in those circumstances it shouldn't have written to them inviting them to take a new rate, or initially accepted their application. It offered £125 compensation for the inconvenience caused. And it said that if they were successful in extending the term, they would then have to choose a rate from those available at the time – the rate they'd booked in October was no longer available.

Miss J and Mr J weren't happy with that and brought their complaint to us. They said Barclays had led them to believe that the term had already been extended, in the letter in September 2022. They said that they now had to re-apply for a new mortgage over a longer term, and that they were having to extend the lease over the property first. In the meantime they are on the standard variable rate (SVR) which is increasing. And even when – or if – they get to take a new rate, it won't be as good a rate as they could have had in October 2022. In the meantime Barclays has been chasing repayment of the capital balance, causing Miss J in particular distress.

Our investigator didn't think that Barclays had to honour the offer of a rate that was available in October 2022, and thought Barclays' offer of £125 compensation was fair. Miss J and Mr J didn't agree and asked for an ombudsman to review their complaint.

## **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.

The first thing to say is that Barclays shouldn't have allowed Miss J and Mr J to submit a new

interest rate application online in September 2022. And it shouldn't have written to them beforehand inviting them to do so.

That's because, in fact, Miss J and Mr J weren't eligible for a new interest rate. It's not possible to have an interest rate that lasts longer than the mortgage term. The minimum length of an interest rate is around two years, but there were only a few months left on the mortgage.

Barclays has explained that its systems don't recognise this. The system doesn't stop automated letters about taking new rates being sent out at the end of old rates when there is only a short time left. And the system doesn't stop applications for new interest rates being submitted when there is only a short term left. Barclays recognises that this is a problem with its systems.

The result was that Miss J and Mr J were able to apply for a new rate, when their application ought to have been automatically rejected immediately, and were only told several weeks later that, in fact, they were never eligible for a rate at all.

In my view, this shouldn't have happened. If Miss J and Mr J weren't eligible for a new interest rate then they shouldn't have been invited to apply, and shouldn't have been able to apply, for one.

The key question I need to decide is what the consequences of that are – what Barclays needs to do to put matters right.

I think it's important to bear in mind that it's correct that Miss J and Mr J weren't eligible for a new rate with the amount of time left on their mortgage term. Barclays' error wasn't refusing a rate, it was suggesting one was available.

Miss J and Mr J say they thought the term of their mortgage had been extended at the same time as they applied for a new rate. But I'm not persuaded they could reasonably have understood that to have been the case.

The term of their mortgage had been made clear to them on many occasions – when they took the mortgage out, in the previous rate switch offer in 2020, and in several letters about the impending end of the term too. So Miss J and Mr J knew – or ought to have known – when the term ended.

Nothing about the rate switch application they submitted (other than the fact that it was for a different length than the mortgage) led them to believe that the mortgage term had ended. The confirmation of submission email they were sent made no mention of the mortgage term or its length, and didn't give the impression that the term had ended.

Miss J and Mr J knew what their term was even before they submitted the rate switch application. In order to get a new rate, they would have to make a separate application to extend the term first.

Miss J and Mr J say that Barclays' error in allowing them to apply for a new rate led them to believe they had extended the term. They say that it was only some weeks later they found out that, in fact, the term hadn't been extended and they would need to make an application. They say that means they lost out on the chance to take the rate that was available in September 2022 as a result.

I'm not persuaded of that. I've explained why I'm satisfied they knew what the term of their mortgage was, and why Barclays didn't lead them to believe it had been extended when they

applied for a rate.

Miss J and Mr J could have made an application to extend the term at any time before September 2022, knowing the term expired in early 2023. But they hadn't done so. Nothing in what Barclays said, or did, prevented them applying for a term extension before September 2022.

If – as should have happened – the application for a new rate had been turned down immediately, Miss J and Mr J would then have been able to submit an application for a term extension sooner than they ended up doing.

But I'm still not persuaded that this meant they would have been able to take a new interest rate around this time. They would have had to complete an application to extend the term of the mortgage first. When they did make that application, Barclays – fairly – explained that it wasn't willing to extend the term because of the short term left on the property's lease. Miss J and Mr J would need to extend the lease before extending the mortgage term. They tried to do that, but as they've explained, they encountered substantial problems doing so – not because of anything Barclays did, but because of problems with their solicitor.

I don't therefore think that Barclays mistakenly giving Miss J and Mr J the impression they could take a new interest rate in September 2022, and mistakenly accepting an application, resulted in Miss J and Mr J not being able to do so. Miss J and Mr J had chosen not to apply for a term extension before September, despite knowing when the term ended.

Even if Barclays had told them a few weeks sooner – in September, when they applied, rather than in November when they found out why a rate had been refused – Miss J and Mr J would have encountered the same problems extending the lease, delaying their ability to apply to extend the term.

It was only in August 2023 that they were finally able to complete the term extension. Miss J and Mr J say they've made a separate complaint to Barclays about delays in processing the term extension. I'm not dealing with that complaint here. But when Miss J and Mr J brought this complaint to us in June 2023 they were still waiting for the lease extension to be resolved – some six months after they first enquired about a term extension.

I'm therefore not persuaded that it's likely that even if Barclays had rejected the rate switch application, and explained they needed to apply for a term extension first, that Miss J and Mr J would have been able to secure the rate that was available in September, or that they would have avoided having to spend several months on the standard variable rate. The only way that could have been avoided was to apply for a term extension several months before the previous interest rate expired – but Miss J and Mr J didn't do that.

I don't therefore think that Barclays has caused Miss J and Mr J financial loss. It didn't offer them a new rate, but they were never eligible for one unless and until they'd extended the mortgage term first. But I do think Barclays caused them upset and inconvenience by leading them to believe – wrongly – that they were entitled to a rate and accepting an application. It's offered £125 compensation and I think that's fair in all the circumstances.

### **My final decision**

My final decision is that Barclays Bank UK PLC has made a fair and reasonable offer to settle this complaint. It should pay Miss J and Mr J £125 compensation, if it hasn't already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J and Mr J to accept or reject my decision before 28 March 2024.

Simon Pugh  
**Ombudsman**