

The complaint

Mr S has complained that Barclays Bank UK PLC wouldn't grant him a new preferential interest rate product whilst he was renting out his residential property.

What happened

Mr S holds a residential mortgage with Barclays. He spoke to an adviser on 11 January 2022 as his existing preferential interest rate product was due to end in March 2022 and he wanted to arrange a five-year fixed rate product as he felt rates would be increasing.

The adviser submitted an application to switch Mr S's mortgage to a fixed rate of 1.32% until 28 February 2027, with a request that the rate be changed on 1 April when Mr S's current preferential rate ended.

When the request was being processed a query was raised about where Mr S was living and, when it came to light that Mr S was renting out the property, the rate switch request was declined.

On 23 February Mr S applied for permission to let the property which was granted, and then he was able to apply to switch onto a new interest rate product from Barclays' consent to let range rather than its normal residential range.

On 8 April 2022 Mr S's mortgage was switched onto his new rate which was Bank of England base rate plus 1.70% until 29 April 2024.

Mr S complained to Barclays in June 2023 and Barclays didn't uphold the complaint.

The complaint was looked at by one of our Investigators. She said Mr S wasn't eligible for the fixed rate product because he was renting his property out, and Barclays offers different products for properties that are rented out to those where the customer lives in the property.

Mr S didn't agree with our Investigator's findings and so it was passed to me to decide.

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 trust Mr S won't take it as a discourtesy that I've condensed his complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

This service is impartial between, and independent from, consumers and businesses. What this means is that we don't represent either party, and I don't act under either's instructions or take directions on how a complaint will be looked at.

Mr S has said it is his understanding that it isn't unusual for Barclays customers who are

temporarily not residing in their property to remain on residential mortgages. He's right, that is the case. But there is a difference to remaining on their existing residential mortgage rate (that is, a preferential rate that is already in place which will continue to run) and a contract variation to put a new preferential rate in force (which is what Mr S applied for). If a Barclays customer applies for consent to let whilst a preferential residential interest rate product was still in place then Barclays wouldn't insist that product be changed; that wouldn't be fair. But it doesn't then allow that customer to move to another preferential residential interest rate product when their current one comes to an end.

I understand Mr S has said he was told he couldn't have the rate because he didn't have consent to let, but that isn't the reason he wasn't eligible. Any customer that is renting their property out wouldn't be eligible for a new residential rate whether they have consent to let or not. The difference is that the customer with consent to let has Barclays' permission to rent out their property, whereas the customer without consent to let is acting in breach of their mortgage contract so could face other sanctions.

Mr S has said:

"My rate switch application was approved in principle after a 90 minute 'advised call' with [the mortgage adviser] – Mortgage Adviser on 11 January 2022. [The mortgage adviser] was aware that I was not living in the property when the application was submitted. I relied on advice provided by [the mortgage adviser]."

But that isn't correct. There was only one call that day between Mr S and the adviser, and that lasted just over 40 minutes. In that there was the following conversation:

Adviser: *Can I just confirm your full address please*

Mr S: [starts to give parents' address] *you seem to have two addresses, but the property is [property address]*

Adviser: *Postcode?*

Mr S: [gives property postcode]

Adviser: *And you live at [Mr S's parents' address], is that right?*

Mr S: *No, I live at [property address]. It's just, I guess that's the legacy as to why you've got that, that's my mum and dad's address. It's just round the corner.*

Adviser: *You should update that first. It's not going to affect the rate switch but it just might flag up why you're living at two different properties that's all. That's fine, not a problem. I'll sort that out my end.*

[...]

Mr S: *Just on the correspondence, can you leave it as is for the moment as I travel quite a bit, I mean less now this pandemic. But I just want correspondence to keep coming to somewhere where it's not piling up in a letter box. So for convenience sake it's, my mum and dad's retired and it just works for them so I imagine that's why they've left it as is.*

Adviser: *OK that's fine.*

It is clear from this conversation that Mr S withheld the information that he was renting out the property, instead saying he needed a correspondence address due to the amount he travelled and not wanting post to pile up in his letter box. His explanations were plausible and so the adviser had no reason to question whether that was the true situation.

I'm satisfied – on balance - that if Mr S had told the adviser that he was renting out the property then the adviser wouldn't have submitted the rate switch application and he instead would have told Mr S that he wasn't eligible for that rate.

Mr S has said that the consent to let rate doesn't meet his attitude to risk, but there is nothing Barclays can do about that. Because he was renting out his property the options that were available to Mr S were to move to the standard variable rate, take the consent to let tracker rate (which was the only consent to let rate that was available at the time), or to remortgage to a different lender. Barclays doesn't have to create a bespoke rate for Mr S, and there's nothing in the mortgage regulations that says a lender must offer a new preferential interest rate at all, let alone specifically a fixed rate. Barclays also doesn't have to offer more than one permission to let rate.

Finally, Mr S has also commented on what he has referred to as some very personal questions the adviser asked him which he found to be somewhat peculiar. I understand why Mr S felt uncomfortable with those questions. They did seem out of place and irrelevant to the subject matter of the call and were of a nature where the motivation behind them could easily be questioned and misinterpreted. Having considered the call in its entirety I feel the questions were part of the adviser trying to build rapport with Mr S, albeit Mr S didn't appreciate the adviser's attempts and preferred to keep the call on a more professional level. That is entirely Mr S's decision to make. Some customers like a more personal chat during such calls, others (like Mr S) don't like that approach.

Having considered everything, whilst I don't uphold this complaint for all the reasons given, I think it would be prudent for Barclays to provide feedback to the adviser about how those questions made Mr S feel.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 April 2024.

Julia Meadows
Ombudsman