

The complaint

Mr and Mrs D complain that Barclays Bank UK PLC mis-sold them a mortgage and linked mortgage current account (MCA). They also complain it mis-sold them a further advance and hasn't treated them fairly despite knowing of their wider financial difficulties.

What happened

Mr and Mrs D took out a mortgage and MCA with Woolwich Building Society in the mid-1990s. Woolwich has since become part of Barclays and so Barclays is their lender and responsible for this complaint. As the complaint includes things that happened both before and after the transfer to Barclays, for ease I'll refer to the lender as Barclays throughout. Separately, Mr and Mrs D also had business lending with Barclays, secured over their home.

Mr and Mrs D began to experience some difficulties with their business. They used funds from the MCA to fund their business, increasing the borrowing on the MCA, as well as to support their family. They used up the full reserve limit on the MCA, and began to fall into arrears on both the mortgage and the business borrowing. Their limited company ceased trading and was wound up in 2021.

In 2018 Barclays agreed a further advance on Mr and Mrs D's mortgage. By this time the mortgage was up to date and Mr and Mrs D were paying the interest on the MCA but not reducing the balance. The further advance was used to repay the MCA borrowing and consolidate it into the mortgage. Barclays then offered Mr and Mrs D a fixed interest rate on the further advance (the main mortgage was already on a fixed rate at this time).

Mr and Mrs D now complain about the mortgage and the MCA. The MCA had a reserve facility - in effect an overdraft - which regularly increased. This meant that Mr and Mrs D had access to more and more borrowing, which they used - and Barclays knew they were using - to prop up their business and support their family. Mr and Mrs D said that Barclays didn't carry out any checks on whether this increased borrowing was appropriate or responsible and didn't consider whether it was affordable for them. It just increased the limit automatically.

Mr and Mrs D also complain that the 2018 further advance increased their mortgage balance and the amount they would have to pay. Again, they say this wasn't affordable for them and put them under increased financial pressure. They say that Barclays disguised the lending as "home improvements" so it would be agreed. Mr and Mrs D point to action taken against Barclays by the regulator as a result of failings towards struggling borrowers between 2014 and 2018. They say that this covers them, and they should have been contacted by Barclays and included in the redress offered at the time.

Barclays said the business lending was lent responsibly in 2010. Mr and Mrs D's business later got into difficulties, but that doesn't mean it shouldn't have lent at the time. The business loan was closed down in 2019. And it said the further advance on the mortgage was not irresponsibly lent as it enabled Mr and Mrs D to pay off the MCA balance.

Our investigator said we couldn't consider anything to do with Mr and Mrs D's business or

the difficulties it had faced, because the business was a limited company and not party to the complaint. She said that we couldn't consider anything that had happened more than six years before the complaint. And she didn't think Barclays had acted unfairly in granting the further advance in 2018 because it improved Mr and Mrs D's situation at that time. Mr and Mrs D didn't agree about that, 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.

Mr and Mrs D took out their mortgage and MCA many years ago. An MCA is a current account linked to the mortgage. It includes an overdraft, or reserve facility – any borrowing on the MCA is secured over the property alongside the mortgage under the same charge. Interest is charged on the MCA at the mortgage standard variable rate (SVR) even if the mortgage itself is on a fixed rate. There's no obligation to make payments to the MCA – even of monthly interest – until the end of the mortgage term when the full outstanding borrowing must be repaid, as long as the MCA is maintained within the borrowing limit in the meantime.

By 2009, the MCA was at its overdraft limit – and at times exceeding the limit. Between then and 2018, Mr and Mrs D were mostly paying the interest charged each month to prevent the balance increasing further, but weren't making any in-roads into the balance itself.

Mr and Mrs D have complained about being given the MCA in the first place, as well as that Barclays had allowed them to run up debt on it to fund their business. But as our investigator said, these events happened more than six years before Mr and Mrs D complained about them. They complained more than three years after they knew, or ought reasonably to have known, about cause for complaint. As there are no exceptional circumstances to explain why they didn't complain any sooner, and Barclays doesn't agree to us considering it, this part of their complaint is out of time. We also can't consider anything about the relationship between Mr and Mrs D's business and Barclays, as that is a complaint the business as a separate entity would need to make in its own name – but their limited company no longer exists to do that.

Mr and Mrs D accepted the investigator's conclusions about that. And I agree that we can't consider those parts of the complaint. In the rest of this decision, therefore, I will focus on the part of their complaint which is in time – the further borrowing granted in 2018.

As I've said, at this time Mr and Mrs D were at the overdraft limit on the MCA. The balance was around £50,000. They were paying the interest each month but no more – that meant the balance didn't go up, but neither did it come down. Mr and Mrs D would need to find a way of paying that sum back at or before the end of their mortgage term.

The total amount Mr and Mrs D owed as part of their mortgage, secured against their property, was the same both before and after the further advance. Before, they had their main mortgage balance plus around £50,000 in the MCA. After, they didn't have the MCA balance but their main mortgage had gone up by around £50,000.

Therefore, the advice Barclays gave in 2018 didn't increase Mr and Mrs D's overall indebtedness. And it didn't increase the amount secured over their property by a first charge mortgage.

The 2018 advice did increase the amount Mr and Mrs D were repaying each month. They were paying £220 each month in MCA interest, compared with £290 on the mortgage further

advance. But although the amount they paid each month increased, consolidating the MCA to the main mortgage meant that the interest rate they were paying substantially reduced. And because the further borrowing was on repayment terms, Mr and Mrs D would be able to clear the MCA debt by the end of the mortgage term – had they not consolidated it they would continue to have paid interest at the higher rate and would still have a £50,000 balance to find at the end of the term.

In Mr and Mrs D's circumstances as they were at the time, I don't think a further advance of £50,000 would have been appropriate or affordable for them as stand-alone further borrowing. But that's not what this was. It transferred a secured overdraft Mr and Mrs D weren't repaying – and had no means of repaying – into a mortgage loan that they would repay and with a lower interest rate. While doing so increased their outgoings by around £70 per month, I think that overall the benefits of taking the further advance outweighed the drawbacks.

I don't think there's anything sinister in the loan being referred to as a "home improvement loan". That's just Barclays' standard description of a mortgage further advance (contrasted with a home purchase). In reality, both Mr and Mrs D and Barclays knew what the purpose of the loan was – the application form, for example, records the purpose of the loan as "repay reserve". And I've taken into account the redress exercise the regulator agreed with Barclays – but that related to unsecured debt not mortgages. I think it's important to consider Mr and Mrs D's own circumstances, and that's what I've done.

I recognise Mr and Mrs D were – and are – in a difficult position. I can't consider what went on earlier in their relationship with Barclays, though it seems likely that the problems with their business, rather than anything Barclays did, are at the root of things. And in the period I can consider, I think the advice Barclays gave in 2018 was appropriate for their particular circumstances; it didn't solve their problems, but it did improve their overall situation. For those reasons, I don't uphold their complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 11 March 2024.

Simon Pugh
Ombudsman