

The complaint

This complaint is about an interest-only mortgage Mrs and Mr G used to hold with Barclays Bank UK PLC. They redeemed the mortgage after Barclays declined their request for a term extension. Their complaint is that if Barclays had given them a definitive indication that the term wouldn't be extended when they first enquired, they could have made different decisions about their investments and avoided significant financial loss.

What happened

The broad circumstances of this complaint are known to Mrs and Mr G and Barclays. I'm also aware that the investigator issued a detailed response to the complaint, a copy of which has been sent to all parties, and so I don't need to repeat all the details here. Our decisions are published, and it's important that I don't include any information that might result in Mrs and Mr G being identified.

Instead I'll give a brief summary in my own words, rounding the figures, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mrs and Mr G's mortgage was due to end in the autumn of 2022; they began planning for this in late 2021. They had ISAs which they were intending using to repay the mortgage, but the aggregate values of the funds weren't enough to clear the debt in full. In December 2021, Mr G spoke to Barclays on the phone about the feasibility of a term extension to allow their repayment vehicles to grow further. Nothing was confirmed at this stage; they were advised to call back nearer the time.

Mrs and Mr G called again in April 2022; they were told an income and expenditure assessment would be needed, and again to call closer to the expiry date. They did so in September 2022, at which point the mortgage had only a matter of weeks left, and were told a term extension wasn't possible. Unfortunately, the aggregate value of their portfolio had fallen during the intervening ten months. Mrs and Mr G did pay the mortgage, but had to borrow elsewhere to do so.

Our investigator recommended the complaint be upheld. Firstly, she was satisfied Mrs and Mr G had put a lot of thought and planning into what they'd do if a term extension wasn't available. She was also satisfied that if they'd been told this immediately, Mrs and Mr G could, and would, have acted to "de-risk" their ISA portfolio, and limit, albeit not eliminate entirely, the loss of value that ensued. She thought Barclays should reimburse Mrs and Mr G for the loss that could have been avoided, and also pay them £500 compensation for their time, trouble and upset.

Mrs and Mr G accepted the proposed outcome; Barclays didn't, so the case has been referred to me to review and determine.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

Key to this is the reason Barclays gave for declining the term extension, and when it knew or should reasonably have known the information that would have driven that decision. According to the final response dated 21 November 2022, Barclays refused the term extension because the funds intended for repaying the mortgage were held in ISAs, where Barclays' lending policy required they be in bonds with a guaranteed value and maturity date.

Having listened to the relevant phone call, it's clear to me that Barclays knew at least as early as 17 December 2021 that Mrs and Mr G's funds were held in ISAs. At about twelve and a half minutes into a 26-minute call on that day, one member of staff mentioned to another – whilst an already very frustrated Mr G was on hold – that their funds were held in ISAs.

So, by any reasonable assessment, Mrs and Mr G should not have been told to call back nearer to expiry; they should have been told unequivocally in December 2021 that a term extension wasn't going to be a possibility. If they had been told that, I'm persuaded by the weight of evidence they've provided that Mrs and Mr G would have made alternations to their investment portfolio's risk profile. I'm also persuaded by that same evidence that had they done that, Mrs and Mr G would have avoided much of the diminution in the value of their investments that ensued up to the point when Barclays did tell them they couldn't extend the mortgage.

That brings me next to the question of redress. Mrs and Mr G's plan was to liquidate the ISAs in May 2022, to ensure they were available for use in September 2022. They've sent statements of the ISAs' actual value on 31 May 2022, having remained on risk profile seven. Mrs and Mr G have also sent projections showing the likely figure on the same date, assuming the ISAs had been switched to risk profile three in December 2021.

I'm not specifying the quantum of the award here; my decision establishes the principle on which settlement should take place. In the event Mrs and Mr G accept my final decision, I'll leave it to the parties to re-engage afterwards, share the evidence I have seen and gather any further evidence needed, and agree quantum between them. Mrs and Mr G are also due compensatory interest on the sum covering the period between liquidation of the ISAs and repayment of the mortgage.

Assessing compensation for distress and inconvenience isn't an exact science; everyone's reaction to events is unique to them. It's clear from their testimony that Mrs and Mr G have found this episode hugely exasperating and time-consuming, and I appreciate that. Barclays offered them £1,000 to settle the complaint in its entirety, not just as compensation for Mrs and Mr G's time, trouble and upset.

As I'm making an award for financial loss, I have assessed compensation separately and having considered all the circumstances, in particular the amount of time Barclays kept Mrs and Mr G waiting before telling them a term extension wouldn't be available, I agree with the investigator that £500 is fair.

My final decision

My final decision is that I uphold this complaint, by ordering Barclays Bank UK PLC to do the following:

1. pay Mrs and Mr G redress for the hypothetical diminution in the value of their ISAs between 17 December 2021 and 31 May 2022 due to not being switched from risk profile seven to three;
2. pay interest on the sum resulting from 1 above at Bank of England Base rate plus 1% simple per annum* from 31 May 2022 to the date the mortgage was repaid; and
3. pay Mrs and Mr G £500.

*In the event Barclays Bank UK Plc considers it should deduct income tax from the interest element of this award, it must also provide Mrs and Mr G with the relevant tax certificates, to enable them to reclaim the tax in the event their circumstances allow.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

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

Jeff Parrington

Ombudsman