DRN-4607035

The complaint

Mr and Mrs P complain that Barclays Bank UK PLC unfairly removed a secured borrowing facility after it required them to repay their mortgage. They ask Barclays to reinstate the mortgage and borrowing facility, provide an apology from a main board director and pay them compensation of £20,000. They say Barclays should pay a £1,000,000 fine for its systemic failings.

What happened

Mr and Mrs P took out a mortgage with Barclays in 2005. In 2010 the term was extended to 2021. Mr and Mrs P also had a mortgage current account (MCA) with a reserve facility that allowed them to borrow money up to a specified limit. This debt was also secured on their house – in effect, a secured overdraft. This had to be repaid when the mortgage was repaid.

Mr and Mrs P say that Barclays should have extended the mortgage term again, to 2026 when Mr P will be 70 years. Mr P says when he called Barclays about this it tried to sell him a new product. Mr P says they wanted to extend the term on the same interest rate and other terms. Mr P requested an extension by email. Barclays didn't respond or extend the term. Mr and Mrs P repaid the mortgage in late 2021. This meant the MCA reserve facility was no longer available to them.

Our investigator said it wasn't fair to require Barclays to reinstate the mortgage or MCA. She said Barclays should pay £150 for the upset caused by poor service. This was because Barclays couldn't provide recordings of Mr P's calls, and our investigator said she couldn't be sure it had explained to Mr P that rules on mortgage regulation meant extending the term wasn't as straightforward as it had been in 2010. And it hadn't replied to Mr P's emails.

Barclays agreed.

Mr and Mrs P didn't agree. They said Barclays should have extended the mortgage term which they say is contractual required by the "Open-plan" contract. They asked to see evidence from Barclays that it is more difficult to extend mortgages now than in 2010 and evidence of its reasons for not extending their mortgage term.

Mr P provided calculations of financial loss due to having to withdraw funds from his pension to repay the mortgage and MCA. He said Mrs P had taken out a personal loan in early 2022 which had a higher interest rate than the MCA.

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.

This service isn't a regulator and we don't have the powers of a regulator – such as to fine businesses. Our role is to provide an informal dispute resolution service. I'm required to set out my reasons for reaching my decision, but I don't have to respond to each point made by the parties. I should also explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The mortgage offer sent to Mr and Mrs P in 2005 says the "mortgage reserve must be repaid in full if the main mortgage is repaid in full". Barclays says it wrote to Mr and Mrs P to remind them of this and provided copies of letters sent in 2016, 2017 and 2018. Barclays wrote to Mr and Mrs P in early 2019 to remind them that their mortgage term would expire in November 2021. This letter also said the MCA had to be repaid at the same time as the mortgage.

Mr and Mrs P repaid the mortgage in late 2021. So, under the terms and conditions, they had to repay the reserve.

Mr P says the real issue is that they were wrongly forced to repay the mortgage, which prematurely closed the MCA. Mr P says Barclays product terms require the mortgage to be repaid when he is 70 years.

Mr P provided copies of Barclays product literature which says its mortgages have to be repaid by the date of retirement or the age of 70. I don't think it's reasonable to say that this could somehow extend the term – or require Barclays to set about extending the term – of existing mortgages to the date that the borrower intends to retire or will reach 70.

The expiry date of Mr and Mrs P's mortgage was set out in their mortgage documents. Barclays sent documents with the term expiry date – such as the letter sent in early 2019. I think Mr and Mrs P were aware that the mortgage term would expire in late 2021.

Mr P sent a letter to Barclays in 2019 requesting a term extension. Barclays responded by email to say that he'd need to speak to a mortgage adviser and gave the number for its mortgage team. Mr P sent emails to Barclays in 2020 and 2021 asking how his term extension was progressing. Although Barclays didn't respond to these emails, it had of course already told Mr P that he needed to speak to a mortgage adviser.

I don't need Barclays to provide evidence that it was easier to grant a term extension in 2010 than it is now. That's because rules on mortgage regulation changed significantly in 2014 and these rules apply to all mortgage lenders. Since then, lenders are required to carry out strict affordability checks before agreeing to offer or vary a mortgage. There are limited exceptions to this.

Mr and Mrs P wanted to vary their mortgage by extending the term. Before it could offer an extension Barclays needed information from Mr and Mrs P to carry out an affordability check and/or to establish if an exception applied. That's why it said Mr and Mrs P needed to speak to a mortgage adviser.

Mr P says he contacted the mortgage team which was only interested in selling a new product rather than extending the term. Barclays doesn't have a record of Mr and Mrs P contacting it to speak to a mortgage adviser about a term extension. But Barclays says customers asking for a term extension do have to choose a product from the range available at the time of application. Mr P told us he wanted to keep the excellent mortgage terms, such as the low interest rate and the MCA, and he didn't want to pay a product fee.

It seems likely that Mr P did contact the mortgage team. It's unfortunate that Barclays can't provide recordings of Mr P's calls. Without the recordings it's difficult to know if Barclays clearly explained its process for applying for a term extension and the basis on which this might be agreed. Barclays agreed to pay £150 for poor service, for not being able to provide the call recordings and not replying to Mr P's emails. I think that's fair and reasonable in the circumstances.

On balance, I think the main reason Mr and Mrs P didn't proceed with an application for a term extension was that this would mean having to take out a new product. I can understand that Mr and Mrs P wanted to keep a facility that allowed them to borrow at a low interest rate. But there was no requirement for Barclays to extend the term of Mr and Mrs P's mortgage simply because that's what they wanted.

As I said, Barclays couldn't offer a term extension without carrying out affordability checks. As Mr and Mrs P didn't proceed with an application for a term extension Barclays couldn't assess affordability or whether they met other criteria. In the circumstances, I don't think Barclays made an error or treated Mr and Mrs P unfairly when it didn't extend the term of their mortgage.

It follows that I don't think it's fair and reasonable to require Barclays to re-instate the mortgage or MCA, provide an apology or pay further compensation to Mr and Mrs P.

My final decision

My decision is that Barclays Bank UK PLC should pay £150 to Mr and Mrs P as it has agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 13 May 2024.

Ruth Stevenson
Ombudsman