

The complaint

Ms W's complaint is against Barclays Bank UK PLC and is in relation to her mortgage account. Ms A says that, when the mortgage term expired, Barclays offered her a new interest rate of 4%, but later reneged on this and moved her mortgage onto Standard Variable Rate (SVR).

To settle the complaint, Ms W wants Barclays to honour the 4% interest rate, until she's able to sell her property.

What happened

I won't set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat all the details here.

In addition, Barclays has accepted it made an error, and has offered compensation. Therefore I don't need to analyse the events in depth in order to decide if the bank is at fault; all I need to determine is whether Barclays has done enough to put things right or if there is something more that it needs to do.

Finally, our decisions are published, so it's important I don't include any information that might lead to Ms W being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Ms W has an interest-only mortgage with Barclays, originally taken out in 2010. She borrowed £301,999 over a term of 14 years, the term of which expired in October 2024. The mortgage was on a fixed interest rate product which expired on 31 May 2024.

After speaking to Barclays in late May and early June 2024, Ms W was told that she could have a three-month £0 payment arrangement. Ms W was also later told she'd be eligible to have an interest rate of 4% for twelve months. However, both of these were incorrect.

It wasn't until 14 June 2024 that Barclays explained to Ms W that she wasn't on a £0 payment arrangement, and that the bank wasn't able to put a new interest rate in place due to the impending expiry of the mortgage term. On 14 June 2024 Ms W made a payment of £500, and was told that the difference between this and the Contractual Monthly Repayment (CMP) would accrue as arrears.

Later in July 2024, after Barclays took details of Ms W's income and expenditure (I&E), an arrangement was proposed of £449.26 to cover August and September 2024. Ms W asked for this to be put in writing so she could consider it, but Ms W didn't come back to Barclays about this.

Barclays acknowledged it had made errors, because between 28 May and 14 June 2024 the bank had led Ms W to believe she could have a £0 payment plan for three months, and a 4% interest rate after that for twelve months, neither of which were options that were available to her. The bank had originally offered compensation of £200, but then revised this after Ms W raised her complaint with our service.

Barclays said it would treat the mortgage as if Ms W could make a reduced payment of £500 for the period 28 May 2024 and 14 June 2024, and would adjust the mortgage balance accordingly. Barclays also agreed to pay compensation of £500 for distress and inconvenience.

The Investigator who looked at the complaint thought Barclays' offer was fair. He explained that Ms W would never have been eligible for a new interest rate product, given that the mortgage term expired in October 2024. But the investigator also noted that Ms W was vulnerable, and so he thought Barclays should have taken this into account. He asked the bank to give Ms W a year to sell the property. He also asked Barclays to carry out another I&E and consider a payment arrangement. The Investigator also asked Barclays to suppress letters chasing for the account balance to be repaid, and to have regular discussions with Ms W about the sale of the property, with possibly a single point of contact for Ms W.

The Investigator also reminded Ms W that she needed to act reasonably in selling the property and made her aware that, if there was a payment arrangement, the unpaid part of the CMP would accrue as arrears on the mortgage.

Ms W didn't accept the Investigator's findings and asked for an Ombudsman to review the complaint. Ms W has made some further points, repeating what she said previously. I summarise the relevant points below:

- Barclays has the capacity to make 'bespoke' interest arrangements, taking individual customers' circumstances into account.
- Ms W has been a loyal customer for many years and never missed a mortgage payment.
- Barclays twice made an offer to her (the 4% rate) which she accepted.
- She has co-operated fully with the bank and made regular payments.
- Because of her significant vulnerabilities, Barclays has a duty of care which it is not meeting in relation to the offer of compensation.

In addition, Ms W also says that compensation should be increased to cover loss of income and travel costs.

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.

As stated at the outset, I have deliberately not gone into detail about all Ms W's circumstances, in order to preserve her anonymity. But I confirm I've read everything provided by Ms W and Barclays, and I've listened to all the call recordings. I'm fully aware of

the information she's provided about her situation, and I have no doubt Ms W has been through a very difficult time.

That said, I have to consider the complaint on the basis of the evidence, rather than be swayed by emotion. Having considered the evidence, whilst I sympathise with Ms W's circumstances, other than the errors the bank has already acknowledged, I'm not persuaded Barclays has done anything wrong.

Ms W's mortgage term has expired, and there is no repayment vehicle for it, other than a sale of the property. I note Ms W is marketing the property for sale, with a view to repaying the mortgage in the foreseeable future. Until the property is sold, the issue is about what Barclays should be doing to help Ms W pending a sale of the property.

I note that the Investigator made reference to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB), and in particular MCOB 13, which deals with the options open to a mortgage lender where there is a payment shortfall (also known as arrears). However, MCOB 13 doesn't apply where an interest-only mortgage has reached the end of its term and the full balance is due and payable. It only applies to mortgages that still have some time left to run, where lenders are able to consider both short-term and long-term options to help borrowers in financial difficulty repay arrears over the remaining term of the mortgage. Therefore, where the mortgage term has come to an end, MCOB 13 doesn't apply.

Nevertheless, Barclays is under an obligation to treat customers in financial difficulty fairly and reasonably, taking into account their circumstances. I am satisfied that Ms W is considered vulnerable, and therefore Barclays needs to take this into consideration and think about what tailored support it can offer Ms W now the mortgage balance is repayable in full.

Barclays has acknowledged it made a mistake when it offered Ms W first a £0 payment arrangement and secondly a 4% interest rate for a period of a year. Given that Barclays has accepted its errors, I need to decide what the bank needs to do to put this right.

Where a mistake has been made, we usually tell the business to put the affected party back in the position they would have been in had the mistake not occurred. Here, the mistake is not that Barclays has failed to put the 4% interest rate in place; the mistake is that Barclays told Ms W in error that she was eligible for that rate when she was not, and never would have been.

Therefore, if the bank hadn't made the error, Ms W would have been given the correct information on 28 May 2024 – which is that she couldn't have a new interest rate product because her mortgage was due to expire in October 2024. So what Ms W has lost is not the 4% interest rate product, because she was never entitled to that. Instead, Ms W has suffered what in legal terms is called a "loss of expectation", because for a short time Ms W thought she could have the rate, when in fact she could not.

The error was quickly corrected by Barclays – Ms W was led to believe the rate would be available on 28 May 2024, but was told she wasn't eligible for it on 14 June 2024. But even if that rate had been available and put in place (which, I reiterate, was never a possibility), the monthly interest payment on an outstanding balance of about £300,000 would have been around £1,000 per month, which is about twice the amount Ms W was able to afford to pay in any event. Given this, and taking into consideration Barclays' regulatory obligations in relation to ensuring any arrangement entered into is sustainable and affordable, an interest rate of 4% would not have been appropriate in the circumstances, because Ms W wouldn't have been able to meet affordability criteria for that rate.

I appreciate that the SVR of 2.49% above base rate is higher than a 4% rate. But because a new interest rate product isn't an option, I'm unable to find Barclays is acting unfairly in charging the SVR Ms W agreed to when she took out the mortgage.

The mortgage balance is now repayable in full, which means that Barclays can't put a payment arrangement in place. Instead, Ms W's point of contact will be the team that deals with matured interest-only mortgages, who will work with Ms W to consider the available options. Based on Ms W's I&E, it's unlikely she will be able to make the full monthly repayment.

I see that Ms W is actively marketing the property for sale, and it would be helpful if she was to provide Barclays with authority to speak to the estate agents or solicitors about how the sale is progressing. If the bank isn't kept up-to-date and provided with evidence of the sale of the property, such as a memorandum of sale and confirmation from solicitors of when contracts are to be exchanged, Barclays won't know what's happening. And if there are no up-dates supported by evidence, and where the CMP isn't being maintained, then one of the options open to Barclays is to begin legal action to take possession of the property.

If the bank was given authority to contact the estate agents and solicitors, it would mean that Barclays wouldn't need to chase Ms W directly for updates, which I know she finds intrusive and upsetting. It would therefore be in Ms W's best interests to co-operate with Barclays in giving the bank the requisite authority to speak to third parties about progress of the sale, rather than contacting her directly for this information.

Ms W provided us with a screenshot of the link for her property, and I can see from an online property portal that it is showing as sold, subject to contract. I therefore hope that the sale goes through quickly, so that Ms W is able to repay the mortgage in full. Barclays should allow a reasonable amount of time for the sale to complete, and as noted above, if the bank is provided with evidence of when contracts are to be exchanged, it will help manage the bank's expectations about when it can expect repayment of the mortgage.

In relation to further contact, Barclays is under a regulatory obligation to keep Ms W informed about non-payment of the outstanding mortgage balance and the potential consequences of this. If the full monthly repayment at SVR isn't being made, this will result in the balance increasing as arrears. Barclays is required to let Ms W know the position on the account, so that she is aware of any potential action the bank can take.

Ultimately, if the mortgage balance remains unpaid and the sale of the property doesn't go ahead, Barclays will ultimately be entitled to pursue its legal remedies through the courts. I don't wish to alarm Ms W, but it would be remiss of me if I didn't remind her of the importance of ensuring that her plan to sell the property proceeds. Given that the property is showing as sold subject to contract, I hope that this goes ahead in the near future.

Putting things right

I've looked at what Barclays has offered to do to put things right, and I note that Ms W doesn't think this is fair. But for the reasons given above, she was never eligible for a 4% interest rate, and so I'm not going to order Barclays to put this in place.

Barclays has agreed to cover the difference between the £500 Ms W said she could pay and her monthly payment of £2,214 for the period 28 May 2024 to 14 June 2024. I think this is fair in all the circumstances, given that Barclays isn't required to put in place any lower interest rate.

I've also noted Ms W's request for compensation for loss of earnings and expenses in having to deal with Barclays. But I'm not persuaded that this is appropriate, given that Barclays has made an offer of compensation of £500 for distress and inconvenience which I think is fair and reasonable in the circumstances, given that the error made by Barclays was corrected within a short period of time.

My final decision

My decision is that Barclays Bank UK PLC must adjust Ms W's mortgage account as directed above, and pay compensation of £500. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 13 January 2025.

Jan O'Leary
Ombudsman