

The complaint

Ms A and Mr N complain that Barclays Bank UK PLC didn't extend their interest only mortgage, as it had agreed to do. They ask that it extends the term and pays compensation for the upset caused.

What happened

Ms A and Mr N took out a repayment mortgage with Barclays in 2003, to refinance their previous mortgage. They also have a current account linked to the mortgage, which I'll refer to as the MCA. Money borrowed under the MCA is secured on their house. The mortgage term was extended in 2010, and Mr N says Barclays agreed to extend it again in 2017 so that it would end in 2024. Barclays says the term expired in 2019 and it didn't agree a further extension.

Mr N says they can't repay the balance on the MCA account of about £82,000 at the moment.

Our investigator didn't recommend that the complaint should be upheld. She said the available evidence didn't show that Barclays agreed to extend the term of the mortgage or the MCA to 2024. The investigator said it wasn't in Mr N and Ms A's best interests to extend the term of the MCA on an interest only basis when they didn't have a strategy to repay it.

Ms A and Mr N didn't agree. Mr N said Barclays changed their monthly payments in mid-2017 and this is evidence of its agreement to extend the term. He asked that Barclays provide a recording of the call in June 2017 when he says the extension was agreed. Mr N says they intend to make lump sum payments to reduce what they owe, so that they're in a better position to repay the mortgage in 2024.

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.

First, I should say that I don't agree with Mr N that the letters, notices and statements Barclays sent are evidence that the term was extended.

Barclays can't provide a recording of the call in June 2017 when Mr N says it agreed to extend the term of the mortgage. I understand Mr N's frustration about this. But I'd expect some written record – a letter confirming the new term end date or notes in Barclays system – if a change to the mortgage had been agreed.

Barclays notes show that Mr N contacted it in June 2017. The notes say Mr N contacted it because the direct debit payment it was taking was more than the regular mortgage payments. Barclays said this was due to a negative balance on the offset account increasing the interest due. Mr N also said the term shown on-line was 7 years and 1 month. Barclays confirmed the correct term was 1 year and 7 months. Barclays notes say Mr N disagreed with this, saying Barclays had previously agreed to extend the term.

Barclays then sent a letter to Mr N and Ms A that set out the wrong monthly payment. I agree that the monthly payment amounts set out in the June 2017 letter wouldn't have been enough to repay the mortgage by 2019. Barclays says this was an error.

It's unfortunate that Barclays sent a letter with the wrong monthly payments. But this doesn't mean it agreed to extend the term. The letter says Barclays agreed to change the amount of the monthly payment due to Mr N and Ms A's request. There's no mention of changing the term. Barclays provided a copy of a letter dated 22 June 2017 which it sent to Mr N and Ms A saying the remaining term is 1 year and 7 months.

The annual mortgage statements each set out the remaining term. I've seen copies of the statements between October 2010 to October 2018. These each state a remaining term which ends in January 2019. Barclays wrote to Mr N and Ms A in March 2018 about repaying the mortgage and MCA in January 2019.

I think Barclays gave Mr N and Ms A clear information about when the mortgage term would expire. Based on the available evidence, I don't think it agreed to extend the term beyond January 2019.

What happens now?

Mr N and Ms A's mortgage term has expired. The balance of the mortgage is small. But the balance in the MCA is about £82,000. The debt is secured on the property and the terms of the MCA say it has to be repaid at the same time as the mortgage. Mr N says they can't repay this at the moment, and has asked for a term extension.

Mr N and Ms A are in a difficult position. They borrowed the money and they do have to repay it. Barclays notes say it asked Mr N and Ms A for information about their financial circumstances, which they declined to provide until their complaint is resolved. Mr N says they'll make lump sum payments to reduce the amount to be repaid in 2024. He intends to save up for this, from his income.

Barclays could extend the term of the mortgage – despite any concerns about affordability or the repayment strategy – if it would be in Mr N and Ms A's best interests.

Barclays says it doesn't consider it's in a customer's best interests to extend the term on an interest only basis if there's no repayment vehicle in place. It says Mr N and Ms A will find themselves in the same position in 2024. It's not clear that Barclays has looked carefully at Mr N and Ms A's particular circumstances – as I think it should – when deciding if an extension would be in their interests. This is at least in part due to Mr N and Ms A deciding not to provide the information it asked for.

Mr N and Ms A didn't provide information to Barclays to agree a repayment plan or to evidence a repayment strategy. It seems likely though, from what Mr N has said about saving up to make payments from his income, that they'll struggle to repay the mortgage if it is extended.

Overall, I don't think it's clearly in Mr N and Ms A's best interests for Barclays to extend their interest-only mortgage. The evidence that is available suggests they wouldn't have means to repay it before, or at the end of the extended term. So I don't think it's reasonable or fair to require Barclays to offer them a term extension.

Due to the Covid-19 pandemic and related Government restrictions, the regulator issued guidelines to lenders. Current guidelines say that lenders can't take or resume possession

action until November 2020. This gives Mr N and Ms A some breathing space, to provide information to Barclays with the aim of agreeing an affordable repayment plan (if this is possible), to re-finance or seek independent financial advice about their options, or to offer their property for sale.

Mr N and Ms A should keep Barclays informed about the steps they are taking to repay the mortgage. I'd expect Barclays to continue to treat them fairly. But, ultimately, if they aren't able to repay the mortgage Barclays is entitled to take possession as a last resort.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A and Mr N to accept or reject my decision before 2 October 2020.

Ruth Stevenson
Ombudsman