

The complaint

Mr B complains that Barclays Bank UK PLC didn't give him clear information about the implications of taking out additional borrowing with a five-year fixed interest rate product. He didn't know he'd have to repay the additional borrowing to re-mortgage with another lender. Mr B had to pay an early repayment charge (ERC) which he'd like Barclays to refund.

What happened

Mr B took out a mortgage with Barclays in 2015, with a five-year fixed interest rate product. He took out additional borrowing in 2017, also with a five-year fixed interest rate product.

In 2020 Mr B's original five-year product expired and he decided to re-mortgage with another lender that offered better interest rates. However, the five-year product he took out in 2017, which applied to the additional borrowing, hadn't expired.

Mr B says he wasn't told he'd have to repay the additional borrowing in order to re-mortgage with another lender. Repaying the additional borrowing meant he paid an ERC to Barclays of about £2,000. He asks that Barclays refunds the ERC.

I sent a provisional decision to the parties setting out what I thought about this complaint. In summary, I said Barclays made the basis on which Mr B took out the additional borrowing clear. I said the ERC was clearly set out in the mortgage offer and Barclays was entitled to apply it when Mr B repaid his mortgage.

Mr B didn't agree. He said I hadn't understood his complaint. He said he wasn't disputing the ERC. He was complaining about the portability of the mortgage: that he could refinance with Barclays without penalty but Barclays wouldn't let him port his original loan to another lender. Mr B also said it was unfair for Barclays to club the two parts of his mortgage together when it suited it (such as when he wanted to move to another lender) but separate them when it came to applying the 10% allowance.

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 B took out a mortgage with Barclays in 2015. In 2017 he applied for additional borrowing for home improvements. Barclays recommended a five-year fixed interest rate product. The product Mr B took out included an ERC which applied to the additional borrowing until May 2022. Mr B repaid the mortgage in April 2020. I think Barclays was entitled to apply the ERC, which Mr B had agreed to when he took out the product.

Mr B says it's not fair for Barclays to apply the ERC. First, he said he wasn't told the additional borrowing was secured by a first charge. He said he didn't know he'd have to repay it in order to re-mortgage with a different lender. Second, he said the 10% ERC free allowance should apply to the whole mortgage balance not just the additional borrowing. Third, since my provisional decision, Mr B said Barclays was unfair not to allow him to port

the original mortgage loan to another lender. He said he thought he'd be able to do this if the additional borrowing matched the 33-year mortgage term.

In some circumstances I might find it fair to require a lender to waive or refund an ERC. Having considered everything Mr B has said, that's not the case here. I've explained why below.

When Mr B took out his mortgage with Barclays in 2015 the loan (the money he borrowed from Barclays) was secured by a first legal charge on his property. When he took out additional borrowing in 2017 this was also secured by the same first legal charge. The mortgage offer says: *"This additional borrowing will be secured by the existing first legal charge over the property in favour of [Barclays]"*.

I don't think it's reasonable to say that Mr B wasn't told the additional borrowing would be secured by the first legal charge Barclays already had on the property. This was set out clearly in the mortgage offer. I haven't seen anything to suggest Mr B was misled about this.

The mortgage offer says Mr B can repay 10% of the additional borrowing each year without paying an ERC. I don't think it's reasonable to say that Barclays should have applied the 10% to the whole mortgage balance so that Mr B could avoid paying the ERC when he repaid the additional borrowing.

Barclays recommended the additional borrowing and the mortgage product in 2017, so it needed to check it was suitable for Mr B's needs. Barclays provided its notes of the discussion between Mr B and its mortgage adviser in April 2017. The notes say Mr B intended to stay in the property for 2 years and nine months. No reason is given as to why Mr B might then move out of the property. In fact he didn't move out, and hasn't said he had any plans to do so. He remained at the property and re-mortgaged with another provider three years later, in April 2020.

Barclays notes also recorded that Mr B wanted stability as he didn't want rate rises to affect his lifestyle. He wanted a five-year product because he wanted to review the mortgage at that time. And he wasn't concerned about ERCs as he had no plans to make overpayments.

I haven't seen anything to suggest Mr B told the mortgage adviser he intended to re-mortgage within 5 years, that he told the mortgage adviser he wanted to be able to re-mortgage without repaying the additional borrowing, or that he was misled about being able to do so. Overall, I don't think Barclays could have known that Mr B would later want to refinance the first part of his mortgage and leave the additional borrowing in place.

I think the basis on which Mr B took out the additional borrowing – that it was secured on his property by a first legal charge – was clear. I think the ERC was clearly set out in the mortgage offer. I think Barclays was entitled to apply the ERC when the mortgage (including the additional borrowing) was repaid and I don't think it's fair and reasonable in the circumstances to require Barclays to refund it.

Mr B said in his response to my provisional decision that he'd thought the mortgage was portable. The mortgage offers for Mr B's original mortgage loan and the additional borrowing say if Mr B bought another property to move to, he could transfer (port) the mortgage rate to a new mortgage on the purchased property. This was subject to conditions. However, Mr B wasn't buying a new property to move to, and so this provision isn't relevant to the outcome here.

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 Mr B to accept or reject my decision before 20 May 2021.

Ruth Stevenson
Ombudsman