

## **The complaint**

Mrs M complains about the service Barclays Bank UK PLC provided when she wanted to reduce the mortgage over her business premises.

## **What happened**

Mrs M has a commercial mortgage with Barclays. In March 2020 Barclays wrote to Mrs M following an annual review of her mortgage indicating she could reduce her monthly mortgage payments from £750 to around £670 and still repay the mortgage by the end of the term.

In early April 2020 Mrs M sent back the response form attached to Barclays' letter indicating she didn't want to reduce the monthly payment but did want to reduce the balance owed on the mortgage by £40,000. Mrs M also rang Barclays and they gave her a number for the business banking team to discuss her query. Unfortunately, the number was wrong and Mrs M couldn't get through, despite several attempts.

In July 2020 Mrs M complained Barclays hadn't responded to her. She said she'd paid more interest than she would have done if she'd reduced the mortgage. And she wanted Barclays to refund the additional interest she'd paid.

Barclays didn't respond to Mrs M's complaint until December 2020. They apologised for their mistake in failing to acknowledge her request to reduce the mortgage and giving her the wrong phone number for the business banking team. And they offered her £150 compensation for the distress and inconvenience they'd caused. Barclays didn't think they'd caused Mrs M any financial loss.

Our investigator felt this was a fair way of putting things right and didn't uphold Mrs M's complaint. Since Mrs M wasn't happy with our investigator's view, her complaint was passed to me to review. I've issued two provisional decisions. In the first I said:

### ***What I've provisionally 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.*

*I've listened to several calls Mrs M had with Barclays, including the calls about her complaint in December 2020. Based on what I've seen and heard so far, I intend to uphold Mrs M's complaint.*

*Barclays accept they failed to acknowledge Mrs M's request for information about reducing the mortgage on the response form and the inconvenience they caused by giving her the wrong number for their business banking team. Barclays have explained they were very busy because of the coronavirus pandemic. I think it's fair to say lenders were under pressure at the time as they had to adapt to alternative ways of working. Barclays told Mrs M they'd had significantly more calls than usual because of an*

increased demand for borrowing and staff had been moved to areas of business unfamiliar to them, which had impacted the service they could provide.

I can understand Mrs M found it frustrating when she couldn't get through to Barclays' business banking team on the number Barclays had given her. Mrs M thought the number was constantly engaged. Barclays felt the sound that could be heard when ringing the number suggested it was unobtainable rather than engaged. Whatever the position, Mrs M was clearly inconvenienced, and it was right for Barclays to apologise and offer compensation.

Mrs M wanted Barclays to pay the difference in the interest she would have paid if she'd paid off £40,000 and what she actually paid by not reducing the mortgage. Barclays have raised several points as to why they don't think they should be responsible for that.

Mrs M's notes on the response form said she didn't want to amend her loan payments, "However I would like to reduce by £40k", and "if no penalty to do so please advise how to reduce the balance by £40000. I have tried to do on line and to ring without success".

Barclays say the note on the response form implies if there was a fee, Mrs M wouldn't pay it and she wouldn't go ahead with reducing the mortgage. They argue this is supported by the fact Mrs M hasn't made any further attempts to follow through with the process since. Barclays also say the information Mrs M's given about what she planned to do with the £40,000 is conflicting.

Mrs M says she made it clear on the form she wanted to reduce the mortgage but didn't want Barclays to go ahead until she knew the costs involved. She says if she'd known in March 2020 the penalty for reducing the mortgage balance was 1% of the £40,000 she was thinking of paying - £400 - she would have gone ahead, as she would have saved more than that on her mortgage payments and it would have been cost effective.

Mrs M's explained she'd sold her business for health reasons but continued to work as a consultant for the buyer. She no longer needed the building she'd been working from. She had funds available from the sale of her business and wanted to plan how best to use the money. She was thinking about whether to let the premises or to sell them. And she wanted to know whether it would be cost effective to pay off part of the mortgage and reduce her outgoings.

Since Barclays failed to respond to the note on the response form and Mrs M wasn't able to get hold of anyone in the business team because Barclays had given her the wrong number, she says she couldn't make a decision and the money she had available wasn't earning any interest or saving her money.

I think Mrs M's explanation is in line with what she told Barclays' complaints handler in December 2020 that she and her husband had always planned their finances carefully. She wanted to know the position on reducing her mortgage so she could make decisions about whether to let or sell the premises or use the money she had available in other ways to reduce her outgoings. I'm persuaded that Mrs M would have gone ahead and reduced her mortgage in April 2020 if she'd known the penalty for doing so was only £400.

Barclays argue Mrs M could have found out from the facility letter issued to her when she took additional borrowing in 2017 what the penalty for making a payment to reduce the loan would be. They say she could have obtained the document from her office, which

*she'd said she'd be willing to visit to resolve a separate business banking issue, despite the pandemic, if necessary. Barclays say their delay in telling her – on a call with their complaints handler in December 2020 – didn't lead to any loss.*

*Mrs M's acknowledged she visited her office once to take what she needed to set herself up for home working in line with pandemic guidelines. She said she had many years' worth of paperwork in the office. She didn't find the facility letter then – or by December 2020 when she spoke to Barclays about her complaint. And she felt Barclays ought to have been able to tell her the position in any event, particularly as she was a business client paying a monthly fee for a service.*

*Barclays question why, when Mrs M spoke to them about other banking issues between April and July 2020, she didn't raise the difficulty she was having in getting information about her mortgage then. Mrs M says she'd understood from what Barclays had told her she needed to speak to their business team, and she didn't think it was worth raising it with the representatives she spoke to about those other issues.*

*I've listened to the relevant calls. On one of the calls Mrs M became upset about Barclays' failure to deal with a commercial banking instruction she'd given that could have put her in a difficult position professionally; on another the Barclays' representative was helping out from another team about another potentially difficult situation for Mrs M.*

*Given the circumstances of those calls, I don't think it's fair to expect Mrs M to have raised then the difficulties she was having with her mortgage enquiry, particularly since she'd been told to contact another department. And, as far as Mrs M was concerned, the problem in getting through to that department was because she thought the number was busy and wasn't connecting. I don't think it was unreasonable for her to think that.*

*Barclays say they contacted Mrs M in July 2020 – after she'd complained - as part of managing the business relationship. They can't find any records of any calls and the recollection of the individual involved who thinks they spoke to Mrs M is vague. Barclays say they are confident they appropriately and correctly advised Mrs M of the information she sought. Mrs M can't remember there being any contact.*

*Without any record or a clear recollection from the person who had the conversation, it's impossible to know what Barclays said, if anything, to Mrs M at the time. I think it's likely that if Mrs M had been given clear information at this stage, she would have made the payment to reduce her mortgage as she clearly wanted to manage her finances and that would have reduced her outgoings.*

*Barclays have recently provided records they say show Mrs M has previously requested redemption figures on a commercial loan. They rely on those records as evidence the process for redeeming the mortgage has been explained to Mrs M previously and, specifically, that it is virtually certain Mrs M has been advised many times how she could repay the facility or make a payment to reduce the balance. I don't think the extract of the records Barclays have provided shows anything other than that Mrs M may have made an enquiry about redeeming the mortgage. It doesn't provide evidence she discussed the process of reducing the mortgage or any penalties associated with that or paying it off entirely, for example. But I will consider any further evidence Barclays wish to provide about this in response to this provisional decision.*

*From what I've seen so far, I'm satisfied Barclays didn't give Mrs M the information about the penalty she'd have to pay until she spoke to them about her complaint in December 2020.*

*Bearing everything in mind, I think the service Barclays provided fell short of the service Mrs M was entitled to expect as a fee-paying business customer even considering the impact of the pandemic on Barclays.*

*I'm currently persuaded Mrs M took appropriate steps to try and find out the process and cost for paying £40,000 off her mortgage. She complained to Barclays in July. And whilst that was around three months from her initial enquiry, she'd tried to contact Barclays on an incorrect number they'd provided in the meantime. She had her own business to run during the pandemic and I can understand she will have had to prioritise that and cope with the difficulties working from home brought her. And she says she tried to contact Barclays unsuccessfully after she'd raised the complaint.*

*Mrs M couldn't find the facility letter and still hadn't found it by December when Barclays contacted her after several month's delay to discuss her complaint. I think she was entitled to expect Barclays could give her the information she needed over the phone. And although Mrs M didn't take any action after making her complaint to progress reducing her mortgage, I think that's reasonable since she was waiting for Barclays to respond to her complaint and attempts to contact Barclays to discuss that were unsuccessful. Her situation changed while things were delayed, and she decided to sell the property. But if she'd had the information she needed to take a decision about reducing her mortgage earlier, and reduced it - as I think she would - she would have saved money on interest payments in the meantime.*

*Bearing everything in mind, on balance, I think it's fair, to reflect the poor service Mrs M received, to direct Barclays to*

- Pay Mrs M the difference in interest she paid and the interest she would have paid on her mortgage for eight months, less the penalty of £400 she would have had to pay. This assumes Mrs M would have reduced her mortgage by £40,000 by the end of April 2020, if she'd known the position then, and takes into account that by December 2020 she did know the position, so was then able to decide what to do; and*
- Pay Mrs M compensation of £250 inclusive of any payment Barclays has already made to her to reflect the distress and inconvenience she's experienced as a result of the poor service Barclays provided, and the time and effort she spent over several months trying to contact them, bearing in mind her difficult circumstances due to her poor health and homeworking.*

### ***My provisional decision***

*I provisionally uphold Mrs M's complaint and direct Barclays Bank UK PLC to pay Mrs M:*

- 1. The difference in interest she paid and the interest she would have paid on her mortgage for eight months, less the penalty of £400 she would have had to pay; and*
- 2. Compensation of £250, inclusive of any payment Barclays has already made, for distress and inconvenience.*

I recently issued a second provisional decision in light of the parties' comments on my first provisional decision. An extract of my second provisional decision follows:

### ***Developments***

*Mrs M accepted my provisional decision. Barclays agreed to pay Mrs M additional compensation but didn't think they should have to refund the difference in interest.*

*Barclays said it isn't fair for them to refund interest on the basis Mrs M may have reduced the mortgage if she'd known what the penalty would be sooner. They point to the fact that she hasn't taken steps to reduce the mortgage since knowing what the penalty would be in December 2020. They say they would have expected her to have made the payment after that, which would show she'd always intended to reduce the outstanding amount.*

*Mrs M's explained more about what happened after she contacted Barclays about paying off some of the mortgage in April 2020:*

- With family help, Mrs M spent around twelve to fifteen months, with interruptions due to the pandemic, digitalising and then clearing paperwork compiled over more than 30 years and dealing with the accounts.*
- She put the property on the market in August 2020 but, although there was interest in it, she felt people were nervous to go ahead because of the uncertainty of the situation due to the pandemic.*
- In November 2020 she had an offer on the property, but it fell through. She had already given notice on the flat above the property which was, by then, her main form of income. Mrs M says she has now accepted an offer in principle on the premises and agreed a temporary lease on the office to cover some of the costs of the mortgage and building expenses. Mrs M has also taken a part-time job to provide some necessary income.*
- On 19 October 2020 Mrs M transferred a lump sum to her personal offset mortgage account. She felt the interest being paid on her Barclays business account was low and the money would be better used there.*
- Mrs M still had a balance of over £40,000 in the Barclays account between October and December 2020. In January she had a significant tax bill to pay reducing the balance to around £22,500. Since January 2021 Mrs M has used some of the remaining balance for other purposes but left around £15,000 in the Barclays account. This was intended to show she still had money available to pay towards the mortgage when Barclays contacted her, as it would take a few days to transfer money back from the offset home mortgage account.*
- When Mrs M referred her complaint to this service, she decided to await the outcome of the complaint before taking any further action to reduce the mortgage. She didn't appreciate the complaints process would take as long as it has. She says that from what our investigator said in her view issued in August 2021, she expected Barclays to contact her.*

### ***What I've provisionally 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.*

*I've thought carefully about what the evidence now shows about Mrs M's intentions to pay £40,000 off her mortgage before December 2020. Having reviewed things, I intend to change my outcome.*

*Barclays' records show Mrs M requested a redemption figure in April 2020. And Mrs M's now explained she put the property on the market in August that year. On the one hand, that could be seen as evidence she wasn't intending to reduce the mortgage, and her focus was always on selling the property. On the other, her actions could be seen as evidence*

*she was trying to make the best of her situation financially, in line with her testimony that she and her husband have always planned their finances carefully. On balance, I think Mrs M was keeping her options open. There was nothing to stop Mrs M reducing the mortgage balance whilst marketing the property at the same time.*

*However, on 19 October 2020 Mrs M transferred £46,500 to her personal offset mortgage account and saved interest on that mortgage as a result. I think she did this as an alternative to reducing the business mortgage by £40,000. Although she still had over £40,000 in her business account once she'd made the transfer, I think she'd earmarked this for other things including her tax bill. That amounted to almost half the balance remaining after the transfer which she paid in January 2021.*

*I appreciate Mrs M could probably have reorganised things by using the balance in her Barclays account and moving funds out of the offset mortgage again to reduce the business mortgage. She says she didn't know the process to reduce the business mortgage even in December 2020, or after she'd complained to this service and was expecting Barclays to contact her. But she hasn't taken any action on this even since our investigator provided her with Barclays' contact details to discuss how to arrange it.*

*I acknowledge Mrs M was under some pressure, sold her business for health reasons, was continuing to work and had to organise her records - all during the pandemic. But she was able to market the property and manage her finances. So, I think she could have contacted Barclays by now, if she'd wanted to go ahead and reduce the balance of the business mortgage. And I'm not persuaded that, even if she'd known the process in December 2020, she would have managed things differently once she'd made the transfer to the offset mortgage in October 2020.*

*Bearing the above in mind, I think it's fair to say that Mrs M initially intended to reduce the Barclays mortgage and would have done so if she'd known the cost of doing so when she asked about it in March 2020. But, having heard nothing from Barclays by October 2020, she changed her mind about reducing the business mortgage and decided to use the funds to offset interest on her personal mortgage instead.*

*So I think it's fair Barclays should reimburse the interest she would have saved if she'd reduced the mortgage by £40,000, less the interest she would have earned on the amount if it had stayed in her Barclays account, from 1 April 2020 to 18 October 2020 inclusive.*

### **My provisional decision**

*I intend to uphold Mrs M's complaint and direct Barclays Bank UK PLC to:*

- 1) pay to Mrs M the difference in interest she paid and the interest she would have paid on her mortgage from 1 April 2020 to 18 October 2020, had she reduced it by £40,000, less the penalty she would have had to pay of £400 and the interest she would have earned on £40,000 if it had stayed in the business account during the same period;*
- 2) calculate the net amount payable and provide this to Mrs M for agreement within 28 days of Mrs M accepting my final decision and pay the agreed sum to her within 14 days of agreement; and*
- 3) pay Mrs M, in addition, compensation of £250, inclusive of any payment Barclays has already made, for distress and inconvenience.*

### **Further developments**

The parties have responded to my second provisional decision. I've considered Mrs M's comments and I am sympathetic to her situation. But nothing she's said leads me to change my decision about what's a fair and reasonable outcome in relation to her complaint. And, in the end, she's said she will accept it. Barclays have accepted the outcome.

### **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.

Since the parties have accepted my second provisional decision, I see no reason to change my outcome.

### **Putting things right**

I set out in my second provisional decision how I think Barclays should put things right and I see no reason to change my mind about that.

### **My final decision**

*I uphold Mrs M's complaint and direct Barclays Bank UK PLC to:*

- 1) pay to Mrs M the difference in interest she paid and the interest she would have paid on her mortgage from 1 April 2020 to 18 October 2020, had she reduced it by £40,000, less the penalty she would have had to pay of £400 and the interest she would have earned on £40,000 if it had stayed in the business account during the same period;*
- 2) calculate the net amount payable and provide this to Mrs M for agreement within 28 days of Mrs M accepting my final decision and pay the agreed sum to her within 14 days of agreement; and*
- 3) pay Mrs M, in addition, compensation of £250, inclusive of any payment Barclays has already made, for distress and inconvenience.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 March 2022.

Julia Wilkinson  
**Ombudsman**