

The complaint

Ms C and Mr S complain Barclays Bank UK PLC completed a remortgage for them without their agreement. And they're unhappy they had to pay an early repayment charge when they decided to redeem the mortgage.

What happened

In 2015 Ms C and Mr S took out a repayment mortgage of around £270,000 with Barclays Bank UK PLC over a term of around 11 years. They paid interest at a rate that tracked Barclays' base rate.

On 21 May 2021 they applied to extend the term of the mortgage and switch to a fixed interest rate over a term of five years. Barclays contacted them to request a document they say they'd already provided. But, after that, they didn't hear anything more despite chasing the Barclays mortgage adviser (MA) until they received an offer in June. Because of the delay, they started considering other options.

Barclays sent Ms C and Mr S a written offer dated 19 June 2021 which said Ms C and Mr S could contact them if they wanted to cancel their application. Ms C and Mr S received the offer letter on around 25 June 2021 and contacted Barclays to cancel the application very soon afterwards.

Barclays told Ms C and Mr S they couldn't cancel the application as the mortgage had completed on 19 June. Ms C and Mr S were unhappy as they'd understood when they rang to cancel that the cancellation would be processed, although it could take a few days. Barclays didn't uphold their complaint. In responding to the complaint in July 2021 Barclays said an early repayment charge (ERC) would be payable if Ms C and Mr S redeemed the mortgage.

Ms C and Mr S brought their complaint to the Financial Ombudsman at the beginning of August 2021. Later that month they decided to redeem the mortgage and paid an ERC of around £4,000 to Barclays. They want Barclays to refund the ERC to put things right. Our investigator didn't uphold Ms C and Mr S's complaint. Since they were unhappy with our investigator's view, their complaint was passed to me to consider. I recently issued a provisional decision, an extract of which follows:

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 been provided with additional information since our investigator considered things, and I've come to a partially different outcome. So, I'm issuing a provisional decision to give the parties the chance to provide further comments if they wish.

Ms C and Mr S first contacted Barclays on around 21 May 2021. They wanted to extend the term of their mortgage to reduce their contractual monthly payments. They say they contacted the MA during the week following their application to see how it was going. And

she told them she'd update them when she heard from the underwriters. After that Ms C and Mr S didn't hear anything from Barclays until they got the offer letter, despite chasing the MA several times by text.

Barclays say Ms C and Mr S made a "Restructure Loan Application". They've explained the process was that the MA completed an application with Ms C and Mr S, recommended terms based on their requirements, gained their "agreement to proceed", and submitted their application to underwriters.

Barclays say that rate switch applications don't require customers' consent for them to "proceed" – by which I understand they mean "complete". Barclays' records show, and Ms C and Mr S accept, they wanted their application to go ahead as soon as possible. Barclays have provided a transcript of the recommendation the MA gave Ms C and Mr S about the remortgage. And Ms C and Mr S signed a mortgage declaration on 21 May 2021.

I note Ms C and Mr S were also extending the term of their mortgage, so it wasn't a straightforward rate switch. I'm not currently persuaded the fact Ms C and Mr S wanted the application to go ahead as soon as possible meant they'd agreed to it completing without reviewing and accepting a written offer. None of the documents I've mentioned told Ms C and Mr S in terms that were clear, fair and not misleading, as I'd expect, that the remortgage would complete before that had happened. And I'm not currently aware of any other evidence they were told it would.

The 19 June offer said that since Barclays had already started to make changes to the mortgage, there was no need for Ms C and Mr S to do anything further to accept the offer. But it said it was important for them to contact Barclays as soon as possible if they no longer wished to go ahead with the offer. I think it was reasonable for Ms C and Mr S to think they could cancel their application at that stage if they wanted to. And once they'd received the offer, they contacted Barclays promptly to do that.

Barclays say the application had been accepted and the mortgage completed on 19 June with the new rate being backdated to 29 May 2021. Ms C says she didn't see any change to the amount they were paying on 1 June. I think that's probably because completion took place on 19 June and any change wouldn't have been reflected until July, as Barclays have said. More fundamentally, Ms C and Mr S are unhappy they never agreed the remortgage. So, whatever the exact position is regarding backdating the rate, I don't think it affects Ms C and Mr S's underlying complaint.

Ms C and Mr S say that when they rang, Barclays said cancelling the application would take 72 hours to process. Barclays' records about what they told Ms C and Mr S then aren't clear. I've no reason to doubt what Ms C and Mr S say. And I can understand Ms C and Mr S were disappointed when Barclays said the remortgage had already gone through.

I've thought carefully about whether it's fair to ask Barclays to reimburse Ms C and Mr S the ERC. Based on what I've seen, without Barclays' poor service, I think Ms C and Mr S would probably have completed their remortgage with Barclays and been tied into the deal for five years. They say that when they didn't hear anything from Barclays, they assumed their application hadn't been accepted. And they looked at remortgaging with other lenders at that stage. So, I think their plan then was still to remortgage rather than pay off the mortgage altogether as they've now done. I think it's likely a fixed interest rate deal with another lender would have had an ERC even if Ms C and Mr S had managed to find more favourable rates. They only decided to redeem the mortgage after Barclays had responded to their complaint. And they knew they'd incur the ERC if they did. On balance, bearing everything in mind, I don't think it's fair to ask Barclays to refund the ERC.

However, I think the service Barclays provided in dealing with Ms C and Mr S's application fell short of what they could reasonably expect. Barclays failed to keep them up to date with the progress of their application and to respond to their messages. The 19 June 2021 letter gave them the false impression they'd be able to cancel the application. And they understood from Barclays the cancellation would be processed when they rang to cancel. I can understand Ms C and Mr S were inconvenienced by having to chase Barclays for information. And I acknowledge it will have been disappointing to find out they were committed to a deal if they'd found more favourable terms with another lender. To put things right, I think it's fair for Barclays to pay Ms C and Mr S compensation of £250 for distress and inconvenience.

Bearing everything in mind, whilst I understand Ms C and Mr S will be disappointed not to recover the ERC, I intend to uphold Ms C and Mr S's complaint in part and to direct Barclays Bank UK PLC to pay them £250 compensation for distress and inconvenience.

My provisional decision

My provisional decision is that I uphold Ms C and Mr S's complaint in part and direct Barclays Bank UK PLC to pay them £250 compensation for distress and inconvenience.

Developments

Barclays accepted my provisional decision. Ms C and Mr S made some additional comments.

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.

Having considered Ms C and Mr S's additional comments, I don't think they raise any fundamentally new points. I acknowledge their strength of feeling about Barclays' poor communication and that they felt they had no option but to look at alternatives. But they had a choice about whether to redeem the Barclays mortgage and they did so knowing they'd be liable to pay an ERC. So, for the reasons I've set out, I don't think it's fair and reasonable to ask Barclays to reimburse it.

I see no reason to change the conclusions I reached in my provisional decision. For the reasons I set out, I think Barclays should pay compensation to Ms C and Mr S for the distress and inconvenience they suffered.

Putting things right

I think the appropriate compensation Barclays should pay is £250.

My final decision

I direct Barclays Bank UK PLC to pay Ms C and Mr S £250 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C and Mr S to accept or reject my decision before 9 June 2022.

Julia Wilkinson
Ombudsman