

## **The complaint**

Mr P complains about the service he received from Barclays Bank UK PLC during the re-mortgage process on his buy-to-let properties. He says this impacted his decision to sell one of his properties. As a result he wants Barclays to waive the early repayment charge applied upon early redemption of his mortgage.

## **What happened**

Mr P held two buy-to let mortgages with Barclays. He says a serious of problems arose from around 2015. Previous complaints were made to Barclays and upheld.

In early 2020 Barclays wrote to Mr P to remind him that the term on both of his mortgages were ending. He was required to redeem the mortgages or make contact to discuss other options. Mr P says he tried calling Barclays on several occasions to discuss his options, but he experienced ongoing difficulties getting through to anyone.

He says it wasn't until 20 May 2020 that he was able to speak with a mortgage advisor to apply for the term extensions. Extending the term of a mortgage is a variation to the existing mortgage contract. This type application had to be processed as an internal re-mortgage. The applications were accepted, and Barclays issued two mortgage offers on 27 May 2020 and 22 June 2020. Completion took place in mid-August 2020.

Mr P says that due to his experience with Barclays he decided to sell one of the properties. He redeemed the mortgage on 10 December 2020. An early repayment charge ("ERC") of around £2,500 was applied.

Mr P complained to Barclays about its service during the recent re-mortgage process. He says that in the circumstances, Barclays should refund him the ERC or at least reduce it. Barclays didn't uphold the complaint. It didn't agree that the ERC had been wrongly applied or that any part of it should be refunded. It did accept there were delays in responding to Mr P's complaint and offered him £150 by way of an apology.

Mr P didn't accept the resolution and brought his complaint to our service. An investigator looked into things and thought Barclays had fairly settled the complaint. He didn't recommend it needed to do anything more.

When bringing his complaint to our service, Mr P raised additional concerns about unexplained demands of shortfall payments and refunds received from Barclays during the re-mortgage process. Whilst these aren't matters Barclays has been able to fully investigate yet, our investigator was able to shed some light on some of the transactions. Mr P hasn't told us he wants to take this part of his complaint further. I'll continue to issue my decision on the complaint matter at hand – that being the application of the ERC in the circumstances.

## **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.

My Decision will focus solely on the complaint addressed in Barclays' final response letter dated January 2021. The earlier complaints Mr P has referred to have been considered previously on their own merit.

Mr P's recent mortgage offers set out the terms of his mortgages. Those terms state that if he was to redeem either mortgage before the end of the fixed term, he'd incur an ERC. He'd be charged 2% on the amount repaid until 31 July 2022.

Under the relevant rules, lenders are entitled to apply an ERC. I'm satisfied that the ERC terms were set out clearly and prominently in the mortgage offer, which Mr P accepted when he took out the mortgages.

When a lender offers a fixed rate mortgage product, both the lender and borrower are tied into the fixed rate for the duration of the term. The ERC reflects the pre-estimated costs a lender incurs across a range of mortgages where the borrower redeems the mortgage within the benefit period. An ERC isn't (and isn't intended or expected by the regulator to be) reflective of the loss on redemption of the individual mortgage. As such, lenders aren't expected to accept customers' proposals to alter the mortgage contract terms due to change in circumstances.

I need to consider what's fair and reasonable in the circumstances for both parties. I've considered everything Mr P has said about his ongoing experience with Barclays, but I've not seen enough to fairly say that Barclays should waive the ERC as a result. I'll explain why.

I appreciate Mr P may have experienced some difficulty getting through to Barclays in early 2020. I accept this must have been frustrating for him. But I also need to consider the wider landscape at the time. The UK had gone into a nationwide lockdown on 23 March 2020. The entire country had been told to stay at home, and work from home where possible. This was a sudden and largely unexpected change to many business' standard operations, including Barclays. It had to arrange for all its staff to be able to carry out their function from home almost immediately, and this wasn't always easy early on. Unfortunately, this did lead to certain services suffering, as was the case here.

It appears whilst Mr P's mortgage terms ended in April 2020 and June 2020, his fixed interest rates ran for longer. As such, I'm pleased to see he didn't revert to Barclays' standard variable rate for any period. I can see that his fixed contractual monthly repayments remained the same until the re-mortgages took place.

Once an application was submitted on 20 May 2020, Barclays issued both offers within reasonable timeframes. Completion subsequently took place in August 2020 - within three months of application. It appears that was mainly due to conveyancing requirements, including Mr P needing to obtain permission to sub-let one of the properties subject to a leasehold. Taking this into account and also the ongoing impact the pandemic had on other industries such as surveyors and solicitors, I don't think three months from application to completion to take place was an unreasonable timeframe.

Mr P complains that he paid a higher interest rate on his mortgages than necessary. Had the delays not occurred and the term extensions taken place sooner, he'd have paid a lower interest rate for some months. I have considered this point, but for reasons I've explained I can't reasonably hold Barclays responsible for the delays incurred in the circumstances as these were largely outside its control.

The ERC forms part of the contract Mr P had with Barclays, so I can't say it's been unfair or unreasonable in applying the ERC. I have considered how Mr P feels about the service he received from Barclays over the years, but the decision to sell his property within a few months after successfully completing on the re-mortgage was a choice he made. I'm persuaded there were other options available to Mr P if he wanted to leave Barclays without paying an ERC, such as potentially re-mortgaging with a different lender instead or choosing a product with Barclays with no ERC to allow him time to consider his options. That would allow any subsequent sale of the property and redemption to not incur the charge.

I know this will come as a disappointment for Mr P, but I won't be asking Barclays to refund the ERC paid on early redemption of his mortgage.

### **Putting things right**

I think Barclays' offer of £150 to acknowledge its delay in responding to Mr P's complaint is fair and reasonable in the circumstances.

### **My final decision**

My final decision is that I uphold this complaint and direct Barclays Bank UK PLC to Pay Mr P the £150 offered if it's not yet done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 September 2022.

Arazu Eid  
**Ombudsman**