

The complaint

Mr C and Miss S complain that Barclays Bank UK PLC treated them unfairly during a period of vulnerability. Their finances were impacted as a result of the Covid-19 pandemic and they say Barclays didn't offer them the right support which made their situation worse. The whole experience has caused them significant distress.

What happened

Prior to the pandemic Mr C and Miss S were maintaining their monthly mortgage repayments. But because of the pandemic, their income and ability to make their mortgage repayments were impacted. They turned to Barclays for help.

In response to the Covid-19 pandemic, the Financial Conduct Authority (FCA) released specific guidance for mortgage lenders – including allowing customers to defer up to a maximum of six-monthly mortgage payments. Barclays approved a payment deferral from April to September 2020. During this time no adverse information was to be reported on Mr C and Miss S's credit files.

When the payment deferral period was ending, Miss S called Barclays to discuss their options as they still couldn't resume full payments. In November 2020 a three-month temporary switch to interest only was agreed. The agreement ended in January 2021 but Mr C and Miss S still weren't able to resume capital repayments. Mr C and Miss S asked Barclays to agree an extension to their interest only arrangement to allow time for their circumstances to improve. Barclays declined on the basis that Mr C and Miss S were already in arrears and agreeing a further concession would put them further into arrears and not help their situation.

Mr C and Miss S complained to Barclays about its lack of support. They're unhappy with the service provided by Barclays, more specifically the inability to get through to the right team to properly discuss their mortgage, spending long wait times on hold and not receiving call backs as agreed.

Barclays upheld the complaint in part. It apologised for its reduced service as a result of the pandemic. Barclays said that, for an affordable arrangement to be agreed, Mr C and Miss S would need to call and speak to the Customer Home Assistance (CHA). Barclays offered £75 compensation to apologise for the lack of agreed call backs.

Unhappy with Barclays' response, Mr C and Miss S brought their complaint to our service. To date Mr C and Miss S have continued to pay a reduced amount towards their mortgage which has in turn caused further arrears to accrue. Barclays has told our service that as of May 2022 Mr C and Miss S's arrears had accumulated to in excess of £17,500. Their account has been passed to Barclays' litigation department. Action has been placed on hold until our service answers the complaint.

Our investigator looked into things and didn't think that Barclays had unfairly declined an extension of the interest only terms and that it had fairly settled the complaint. Mr C and

Miss S didn't agree and asked for the case to be decided by an ombudsman.

I issued my provisional decision, an extract of which is below.

"...I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Based on what I've seen so far, I'm not satisfied Barclays has acted fairly in response to Mr C and Miss S's circumstances.

Mr C and Miss S's finances were sadly impacted because of the pandemic. I appreciate this must've been a difficult time for them and I empathise with the position they found themselves in due to no fault of their own.

Barclays complied with the FCA's guidance by granting a six-month payment deferral. The FCA's guidance said that after the six-month deferral period had ended, it expected lenders to consider tailored ongoing support for customers if needed, But, in these circumstances normal credit reporting would resume.

Mr C and Miss S were granted a temporary switch to interest only to allow more time for their circumstances to improve. This ended in January 2021. Various conversations took place between Barclays and Miss S in February 2021. Miss S explained their circumstances hadn't improved. She was actively seeking a longer-term solution from Barclays.

Barclays' policy says that when a customer is experiencing financial vulnerability (as was the case here), the customer must be passed to 'Customer Home Assistance who will speak with the customer to find a solution appropriate to their situation with the aim of preventing further deterioration of the customer's finances'. Barclays agrees Mr C and Miss S were in a vulnerable position.

On 24 February 2021 Miss S was promised a call back from CHA. This didn't happen. Miss S says she was actively trying to call Barclays to get through to the team. She subsequently raised a complaint in April 2021 about the poor customer service and her inability to speak to anyone in the relevant team. So, I find it plausible that she was keen to address their situation and find a solution.

When Barclays responded to the complaint it acknowledged that multiple call backs weren't completed and offered £75 compensation for the distress and inconvenience caused. Considering everything, I think Barclays should have done more than simply ask Mr C and Miss S to call again to speak to CHA. A suitable appointment could have been agreed to avoid any ongoing uncertainty.

It's unclear from Barclays' contact notes whether Mr C and Miss S's account was ever referred to CHA or that all the possible options were explored, and any decisions made about suitable solutions were clearly justified to Mr C and Miss S in line with the relevant rules. Their request for an extension to the interest only terms was simply declined on the grounds that 'they were in arrears'. But Mr C and Miss S felt that the lack of support from Barclays had exacerbated their situation. They say they could afford their interest payments so couldn't understand why this was deemed to be an unsuitable option for them.

Further conversations took place where it appears Mr C and Miss S were refusing any help other than an extended switch to interest only. They also made several promises to clear the arrears with funds lent to them from family. This didn't happen. Arguably, it could appear to Barclays that Mr C and Miss S weren't engaging in terms of exploring other options. But I do think the communication breakdown had a part to play here.

Barclays should have treated Mr C and Miss S fairly during their period of financial difficulty

and done what it could in the circumstances to try and help them get their mortgage back on track. I'm persuaded that if Barclays had acted fairly and provided Mr C and Miss S with clear information about the suitable options available to them, they'd be more engaging with Barclays to reach an agreement. I say this because Mr C and Miss S were, overall, proactively engaging with Barclays about their circumstances. Things spiralled and the account was passed to litigation. This understandably caused further distress to what was already a difficult time for them. And by this point the relationship had completely broken down.

In accordance with the relevant rules, when a customer is experiencing financial difficulty, a lender is required to explore ways to resolve an arrears situation, especially if the problems faced looks to be short-term and capable of being resolved.

Mr C and Miss S's employment problems didn't appear to be short term. By February 2021 things still weren't back on track after almost 12 months. I don't think Barclays acted unreasonably by not agreeing further short-term solutions. As these would in turn cause more arrears to accrue and it hadn't seen anything concrete to say Mr C and Miss S's circumstances would improve. In hindsight that has been proven, as Mr C and Miss S are still largely experiencing ongoing financial difficulty with the inability to make full payments towards their mortgage or reduce their arrears.

For long-term difficulties, a lender must also look at other ways to help, such transferring a mortgage from capital and interest repayment to interest-only, deferring interest for a period of time or capitalisation of arrears. Balanced against that is the lender's obligation to ensure that any arrangement is affordable and sustainable. Based on what I've seen I'm not persuaded Barclays fully explored all the possible options before passing the account to litigation. As such it needs to take steps to put things right.

Putting things right

I'm not persuaded Mr C and Miss S were given a fair chance to address their arrears before their account was passed to litigation. Barclays should take the account back from litigation and consider suitable concessions in light of what it now knows about Mr C and Miss S's circumstances. This is to ensure any agreed arrangement is affordable and sustainable moving forward.

Barclays should actively engage with Mr C and Miss S to fully understand their current circumstances. I'm not able to guarantee that a suitable concession can be agreed in the circumstances. But, in line with the rules, Barclays must give fair consideration to all the possible options and clearly justify their decision to offer (or not offer) a particular concession.

I'm not satisfied £75 fairly compensates Mr C and Miss S In the circumstances. Barclays should have carried out all the necessary steps as set out above sooner, before passing the account to litigation. Its actions understandably caused Mr C and Miss S considerable distress, upset and worry as a result of the ongoing uncertainty. I think it's fair Barclays increases its compensation award to £500 to acknowledge the impact this has had on Mr C and Miss S over the past 18 months and the ongoing impact this had on their mental wellbeing.

My provisional decision is that I intend to uphold this complaint and direct Barclays Bank UK PLC to:

- actively engage with Mr C and Miss S to fully understand their circumstances;*
- give fair consideration to all the options set out in the rules and clearly justify its*

- *decision to offer (or not offer) a particular concession; and*
- *pay Mr C and Miss S £500 compensation for the distress and inconvenience caused to date.*

Both parties responded to my provisional decision – giving reasons why they disagree.

In summary Mr C and Miss S said that because of everything that's happened, they've remained on Barclays' standard variable rate since their fixed rate deal ended in December 2021. They're concerned interest rates have risen and they want Barclays to agree a backdated rate switch. They don't think £500 fairly compensates them.

Barclays said Mr C and Miss S's account isn't in litigation and never has been. Barclays has been trying to assist them to date. Mr C and Miss S haven't resumed full payments and they have arrears in excess of £20,000.

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.

I've also given careful consideration to all the submissions made before arriving at my decision, including what both parties have said in response to my provisional decision.

Mr C and Miss S's fixed rate deal ended in December 2021 – during the complaint process. I asked for further clarity on the point they've raised. Miss C said they haven't applied for a rate switch with Barclays. They felt they weren't in a good position to request a new interest rate because of their situation. I've carefully considered what they've said but I can't say there was anything preventing them from at least trying to obtain a new rate. I can't reasonably hold Barclays responsible for a decision they made not to apply for a new rate. Had they tried to switch rates sooner and been declined by Barclays then that's possibly something our service could consider in addition to the initial complaint. But that is not the case here, so not something I've made a finding on in this decision.

As part of my provisional direction to Barclays, I said it should consider all the suitable options available to Mr C and Miss S now, to support them in the circumstances. That includes exploring the interest rates currently available to Mr C and Miss S.

Barclays has re-sent the call notes that I already had sight of and considered when reaching my provisional decision – bar a few additional calls that took place since its original file submission. Therefore, I've seen no new information that satisfies me I need to divert from my original decision. For reasons I've already explained, I'm not satisfied there has been full consideration and justification of all the options available to Mr C and Miss S to date in line with the relevant Mortgage Conduct of Business (MCOB) 13.3.4A and MCOB 13.3.4C rules around treating customers with payment shortfalls fairly.

Both parties should engage, which Mr C and Miss S are keen to do, to explore ways to try and help get the account back on track. I appreciate Barclays confirming the account is not in litigation yet, but I can see evidence of at least pre-litigation steps. It appears action has been placed on hold until the outcome of this complaint. For reasons I've explained, before any further litigation process commences, Barclays should consider the steps I've set out in this final decision.

So, when considering everything, I've reached the same conclusions as set out in my provisional decision and for the same reasons.

Putting things right

I'm not persuaded Mr C and Miss S were given a fair chance to address their arrears before their account was passed to litigation. Barclays should take the account back from litigation and consider suitable concessions in light of what it now knows about Mr C and Miss S's circumstances. This is to ensure any agreed arrangement is affordable and sustainable moving forward.

Barclays should actively engage with Mr C and Miss S to fully understand their current circumstances. The Customer Home Assistance should call Mr C and Miss S within two weeks, if my decision is accepted by Mr C and Mrs S. I consider this to be a reasonable timeframe. Mr C and Miss S should respond and be forthcoming on their part too.

I'm not able to guarantee that a suitable concession can be agreed in the circumstances. But, in line with the MCOB rules, Barclays must give fair consideration to all the possible options and clearly justify their decision to offer (or not offer) a particular concession.

I'm not satisfied £75 fairly compensates Mr C and Miss S in the circumstances. Barclays should have carried out all the necessary steps as set out above sooner, before commencing litigation. Its actions understandably caused Mr C and Miss S considerable distress, upset and worry as a result of the ongoing uncertainty. I think it's fair Barclays increases its compensation award to £500 to acknowledge the impact this has had on Mr C and Miss S over the past 18 months and the ongoing impact this had on their mental wellbeing.

My final decision

My final decision is that I uphold this complaint and direct Barclays Bank UK PLC to:

- actively engage with Mr C and Miss S to fully understand their circumstances;
- give fair consideration to all the options set out in the rules and clearly justify its decision to offer (or not offer) a particular concession; and
- pay Mr C and Miss S £500 compensation for the distress and inconvenience caused to date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss S to accept or reject my decision before 28 October 2022.

Arazu Eid
Ombudsman