

The complaint

Mr H and Ms S complain about delays when they applied to re-mortgage with Barclays Bank UK PLC. They ask that Barclays gives them the benefit of the fixed interest rate product they chose for the full five years.

What happened

Mr H and Ms S applied to Barclays for a mortgage via a broker in 2021. They say the process took more than six months due to errors by Barclays, including their application being held in Barclays' systems for seven to eight weeks due to a system error. Mr H says despite Barclays upholding their complaint in December 2021 it made further errors which delayed the valuation.

Mr H and Ms S have other complaints about the application process. This includes Barclays asking for information they'd already provided; wrongly saying they had a large loan; carrying out an extra credit search without telling them (which left a record on their credit files); and one part of Barclays failing to pass on credit searches to another.

Barclays accepted there had been delays due to a system issue. It paid £300 to Ms S. It offered another £300 compensation in late 2021.

Mr H says that due to the delay they missed out on four months of the five-year fixed interest rate product he chose in November 2021. He says they should get the benefit of the full five years starting from April 2022 when the mortgage completed, and to achieve this Barclays should add four months onto the end of the product term.

Our investigator said Barclays should pay compensation for the delay in re-mortgaging based on the difference between the interest rates on Mr H and Ms S's previous mortgages and the Barclays mortgage. Barclays agreed to do this, and to pay further compensation.

Mr H and Ms S didn't agree. Mr H said Barclays made the error and it should rectify the error by paying the difference in interest for four months after the end of the product term.

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.

Barclays did cause delays with Ms S and Mr H's mortgage application. The first application, made on behalf of Mr H and Ms S by their broker, didn't progress due to a problem with Barclay's systems. The broker had to re-submit the application in November 2021.

Mr H says there were some further issues with the valuation being arranged. Barclays issued a mortgage offer at the end of January 2022. The mortgage completed in early April 2022. Mr H and Ms S chose a five-year fixed interest rate product. The product expires on 30 November 2026.

The terms of the fixed interest rate product that Mr H and Ms S chose said it would expire on

30 November 2026 – this was the basis on which the product was offered. The expiry date was clearly set out in the mortgage offer. I don't think it's fair and reasonable to require Barclays to change the terms and conditions of the product (to extend it by four months) or pay compensation based on an assumption about what interest rates might be available at the end of the product term.

Barclays' error delayed the mortgage application being processed, with a resulting delay in the mortgage completing. Mr H and Ms S's financial loss is the additional interest they paid during this delay, due to their previous mortgages being on higher interest rates. It seems the parties agree the delay was for four months.

The calculation of Mr H and Ms S's loss needs to take into account that Mr H and Ms S repaid a first charge mortgage and a second charge loan when they re-mortgaged. The interest rate on the second charge loan was higher. The calculation also needs to take into account that the Barclays mortgage loan is smaller than the combined balance of the previous mortgage and second charge loan.

I think it's fair and reasonable to require Barclays to pay compensation calculated as follows:

- (1) using the amount of the funds transferred to Mr H and Ms S's solicitor by Barclays and the product rate, calculate the amount of interest that would have been applied for four calendar months ending on the date the mortgage completed.
- (2) calculate the amount of interest applied to the second charge loan for four calendar months ending on the date the mortgage completed.
- (3) calculate the portion of the first charge mortgage repaid from the Barclays mortgage (by deducting the amount paid to the second charge lender from the funds transferred to Mr H and Ms S's solicitor by Barclays). Using the result, calculate the amount of interest applied to this portion of the first charge mortgage for four calendar months ending on the date the mortgage completed.
- (4) Add together the results of (2) and (3) and deduct from the total the result of (1). The result is the financial loss suffered by Mr H and Ms S due to the delays in their re-mortgage completing.
- (5) Barclays should pay the result of (4) to Mr H and Ms S with interest at 8% simple from the date the mortgage completed to the date of payment.

Mr H and Ms S have provided redemption statements from their previous lenders and the final statement prepared by their solicitor, which shows the amounts paid to the second charge and first charge lenders. Both parties agree the interest rate on the first charge mortgage was 3.59%. Mr H and Ms S provided a letter from the second charge lender confirming the interest rate being applied was 7.7%. I think it's fair for Barclays to request copies of these, which evidence Mr H and Ms S's financial loss. If Mr H and Ms S accept my decision, our investigator can, if they wish, send these documents direct to Barclays.

I appreciate the inconvenience for Mr H and Ms S in providing this information. But, for it to be fair for me to require Barclays to calculate and pay compensation for their financial loss, they did need to provide this evidence.

Mr H and Ms S had raised concerns when they brought the complaint to us about an additional credit search carried out due to the delays. We asked if they were still concerned about this, but they didn't respond to say they were.

Barclays took too long to process Mr H and Ms S's application. This caused them worry and inconvenience. Their application had to be re-submitted and their financial information updated. Barclays paid £300 to Ms S and offered a further £300. I think for the upset and inconvenience caused, £600 (in total) is fair and reasonable, and so Barclays should pay another £300 as it offered to do.

My final decision

My decision is that I uphold this complaint. I order Barclays Bank UK PLC to pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Ms S to accept or reject my decision before 7 April 2023.

Ruth Stevenson
Ombudsman