

The complaint

Mr and Mrs K complain about Barclays Bank UK PLC's treatment of them when they were arranging a new interest rate on their buy-to-let mortgage. They say they should have been able to apply for a new rate earlier, and they received poor service.

What happened

Mr and Mrs K's buy-to-let mortgage with Barclays was on an interest rate product which was ending on 31 January 2023.

Mr and Mrs K were keen to book a new rate in advance. At the end of August 2022, Barclays told them they could go ahead, so they applied for a five-year fixed rate of 3.12%. Barclays then said they had applied too early, so they applied again on 3 September 2022. This time, nothing happened for a couple of weeks, and the application was finally processed on 22 September 2022.

The mortgage was switched to the five-year fixed rate of 3.12% which Mr and Mrs K had applied for on 1 February 2023.

Mr and Mrs K complained that Barclays wouldn't allow them to apply for a rate 180 days before their existing rate ended, as new customers could. They wanted the rate that would have been available to them in early August 2022. They also complained about the service they had received.

Barclays said its policy in September 2022 was that existing customers could only apply for a rate 150 days in advance – which is what Mr and Mrs K had been able to do. It said it wouldn't compensate Mr and Mrs K for the difference between the interest rate they got and rates it was offering earlier. It apologised for its poor service, and offered £300 by way of compensation.

Mr and Mrs K didn't accept that and asked the Financial Ombudsman Service to look into their complaint.

Our Investigator thought Barclays was entitled to set its own rate switch windows, and it had applied the policy it had in place at the relevant time to Mr and Mrs K's application. However, he thought Barclays had treated Mr and Mrs K very poorly and caused them significant and avoidable stress and worry. He recommended it increase its offer of compensation to £500.

Barclays accepted that, but Mr and Mrs K did not. They initially said £500 isn't enough given the stress they suffered, but later that they would accept it for non-financial loss. Their main concern is that they still think they should be entitled to the mortgage interest rate that was available in early August 2022, 180 days before their previous rate ended.

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 done so, I've come to the same conclusion as the Investigator did, for the same reasons.

I've seen a copy of Barclays' rate switch policy. I'm satisfied that Barclays correctly applied the policy it had in place at the relevant time to Mr and Mrs K's application. In August 2022, Mr and Mrs K could have applied for a new rate up to 90 days before their existing mortgage interest rate expired, on 1 September 2022 that changed to 150 days, and on 12 October 2022 to 180 days.

Mr and Mrs K believe Barclays only increased its switching window to 180 days as a result of their complaint. They also say it has treated them unfairly as existing customers, because a new customer in August 2022 could have applied for a rate 180 days in advance. Had they been able to do that, they could have had a five-year fixed rate at below 3% and would be paying around £150 a month less in interest on the mortgage.

In practice, mortgage lenders regularly change their policies on how far ahead borrowers can choose a new interest rate product, depending on market conditions and a range of other factors. They're entitled to make such decisions for themselves, and there's nothing – either in law or in the rules of mortgage regulation (although I'm mindful that Mr and Mrs K's mortgage, as a buy-to-let, isn't regulated) – to say that they must have the same timeframes open to both new and existing borrowers. I also don't accept that Barclays was unfair in allowing new customers to apply for a rate further in advance than existing customers. The two situations are quite different, and switching lender or buying a new property are far less quick and straightforward than a simple rate switch.

For these reasons, I don't consider a fair and reasonable outcome would be for me to require Barclays to compensate Mr and Mrs K because they didn't get a lower rate which was available in August 2022. That rate simply wasn't open to them for a start date of 1 February 2023. Mr and Mrs K applied for, and got, a five-year fixed rate of 3.12%, despite Barclays' poor communication and poor service. They haven't lost out financially because of Barclays' shortcomings, so I make no award for financial loss.

There's no dispute that Mr and Mrs K received poor service from Barclays. They had to make more than one application, and Barclays gave them wrong information or none at all a number of times, and caused delay. Barclays has accepted all of that, apologised, and offered compensation.

I recognise that this was particularly worrying for Mr and Mrs K. They were applying for a new rate at a time when rates were rising generally, and they were extremely concerned about missing out, particularly because they say they couldn't have afforded to keep the mortgaged property if the rate switch hadn't gone through. I can see that they also had to spend more time than they should on the matter.

In all the circumstances, I think £500 is a fair and reasonable award of compensation to reflect the impact of what happened on Mr and Mrs K.

Putting things right

Barclays Bank UK PLC should pay Mr and Mrs K £500 in full and final settlement of this complaint, if it hasn't already done so.

My final decision

My final decision is that Barclays Bank UK PLC should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to accept or reject my decision before 19 May 2023.

Janet Millington
Ombudsman