

The complaint

Mr W has a mortgage with Barclays Bank UK PLC (“Barclays”). He complains about the way it has been managed.

What happened

Mr W has a mortgage with Barclays. He complains about the way it managed his mortgage after he lost his job in 2019 due to the covid-19 pandemic. That led to Mr W having serious health challenges. Mr W hasn’t worked since then.

Mr W complains that he took two coronavirus payment deferrals without the implications being fully explained to him. As a result he says arrears have accumulated on his account that will cost him an extra £500 a month to clear. Mr W says that if he’d known his monthly payments would increase to such a level he wouldn’t have taken the payment deferrals.

Mr W is also unhappy that Barclays have refused to offer him a better interest rate product for his mortgage.

Our investigator looked into what happened. She said she was very sorry to hear about the difficult time Mr W has been going through but she didn’t think Mr W’s complaint should be upheld. She said that Mr W had applied for the coronavirus payment deferrals. She thought Barclays had been clear about what the impact of those payment deferrals would be. She recognised that Mr W was now in substantial arrears on his mortgage. But she thought the level of arrears was mostly a result of the fact that Mr W hadn’t paid his mortgage since 2020. She appreciated Mr W’s unhappiness about the amount of contact there had been from Barclays at times, but she thought much of the unwelcome contact occurred because Barclays hadn’t been able to get in touch with Mr W or his representative, so it kept trying. She could also understand why Barclays hadn’t given Mr W a new (lower) interest rate product on his mortgage.

Mr W didn’t agree with our investigator. He has made a number of points that I’ve considered below. As Mr W didn’t agree with the outcome our investigator recommended, this complaint has been passed on to me to decide.

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 our investigator. I’ll explain why.

Before I do, I think it would be helpful for me to comment on my role and the role of the Financial Ombudsman Service. The Financial Ombudsman Service has been set up to resolve individual complaints in a fair and reasonable way. It isn’t to regulate businesses or to comment on the way the banking industry is run. It’s clear from what Mr W has told us that he feels his problems have been caused by ‘big picture’ issues in the banking industry and by the wider economy. He wants that to be acknowledged and for me to comment on that.

He says he thinks Barclays is corrupt and has referred to its profits on a number of occasions. It's also clear that Mr W thinks that Barclays has put its profit above all else. I don't underestimate the strength of Mr W's feeling about Barclays. But it isn't my role to comment on 'big picture' issues in the banking industry, so I will focus on the key issues that are relevant to the way Barclays has handled Mr W's mortgage in this decision.

Barclays' actions in relation to the payment deferrals and the interest rate on Mr W's mortgage

Mr W took two coronavirus payment deferrals from March to May 2020, and from June to August 2020. The evidence shows that Mr W applied for both of these payment deferrals online. On 1 May 2020 Barclays wrote to Mr W. The letter said that when the payment deferral period ends his monthly payments would increase to enable the money he owed from the deferred payments to be spread over the rest of his mortgage term. The letter invited Mr W to contact Barclays if he was concerned that he might not be able to afford new monthly payments at the end of the payment deferral period. However, he didn't do that.

Mr W has told us that he has been very unwell since he lost his job in 2019. It seems his health stopped him from reading all the letters Barclays sent him around the time he got the payment deferrals.

Mr W said that before the payment deferrals his monthly mortgage repayments were around £2085. After the deferrals his monthly payments increased to more than £2500. So the deferrals had a significant impact on him and will cost him a huge amount more over the life of his mortgage. He says that when he applied for the payment deferrals it was impossible to actually speak to someone on the phone. He feels that the financial implications should have been made clear to him before he took the deferrals, not after.

I appreciate Mr W's position. I think the financial implications of the payments deferrals should have been made clear to customers before they entered into them. However, I think the following points are also relevant here.

Firstly, I think it's fair and reasonable for me to bear in mind the unprecedented situation Barclays found itself in during 2020. The covid-19 pandemic meant that there was very high demand for support from Barclays' customers. That put added pressure on Barclays at a time when its branches were shut and its staff had to work from home unexpectedly. At the same time it had to implement new and changing guidance from its regulator, the Financial Conduct Authority ("FCA") to give its customers payment holidays to help them through the pandemic.

Mr W has suggested that Barclays took advantage of the pandemic to make huge profits from customers like him. The implication is that it did this by offering coronavirus payment deferrals. But it was the FCA that directed banks such as Barclays to give such deferrals to help them through the pandemic.

Barclays' notes of its contact with Mr W show that Barclays and Mr W spoke on the phone in July 2020. It then tried to phone him several times after that but couldn't get through. In the July 2020 phone call Mr W explained his circumstances. He told Barclays he wasn't working and that he was on benefits. It's clear from what he has told us that Mr W hasn't worked since that time. So I'm satisfied that the substantial arrears on Mr W's mortgage today has been caused by the fact that he hasn't made any payments towards the mortgage since 2020.

I think it's important to note that payment deferrals are not, and are not treated as, arrears. So while Mr W hasn't made those payments and still needs to make them up, they do not

form part of the arrears on his account and weren't recorded as arrears on his credit file. And from everything I've seen I don't think Mr W would have been able to make the payments had Barclays not deferred them. In that situation, the payments would still have been missed but would have been treated as arrears. To that extent, Mr W is better off having taken the payment deferrals than he would have been if he hadn't.

I don't underestimate how strongly Mr W feels about the coronavirus payment deferrals. However, I think his mortgage account would be in a worse position (in other words, the arrears would be greater) than it currently is if the coronavirus payment deferrals weren't put in place.

Mr W got in touch with a housing advice charity, about his situation. He says the charity helped him put forward a proposal to Barclays that would help him clear the arrears on his mortgage. That involved him releasing some equity from the mortgaged property to reduce/clear the arrears and carry out essential maintenance. Mr W complains that Barclays declined that offer.

I appreciate how frustrated Mr W was by that. He says he (and the charity) thought the proposal was reasonable, and that Barclays should have engaged with him or the charity about the proposal instead of just declining it. However, Barclays wouldn't offer Mr W further borrowing while he was in arrears and without being satisfied he would be able to afford the repayments. Ultimately, Barclays wasn't required to accept Mr W's offer or make him a counter offer. It was reasonable for it to be concerned that increasing his debt when he was already struggling with his mortgage was not the best way to help him. In the circumstances I would expect Mr W to consider the other options open to him. I think it would have been good practice for Barclays to suggest that Mr W seek advice about his circumstances. However, I can see from Barclays' notes of its interactions with the charity that it told Barclays it had given Mr W advice about his options after Barclays' had declined the proposal in early 2022. So I can't say it made a mistake here.

Mr W has also complained that Barclays declined to lower the interest rate he was paying on his mortgage. He says that if it had reduced the interest rate he was paying his arrears would have been lower than they are today.

Again, I don't underestimate Mr W's strength of feeling about his issue, but Mr W's mortgage was in arrears when he asked for a new interest rate product, and he had told Barclays he was not working/ that he was on benefits. So Barclays had to consider that. As a responsible lender, Barclays had to consider whether Mr W could afford a new fixed interest rate product. Whilst often cheaper than standard variable interest rate products, fixed rate products often come with fees, and include a substantial early repayment charge ("ERC") if the borrowing is repaid within the fixed rate period. While offering Mr W a new interest rate would have reduced his payments, given his circumstances I don't think it's likely even the reduced rate would have been affordable for him. This means the mortgage would have continued to be in arrears, with a risk that Mr W might need to sell the property or that Barclays might repossess it – and if that were to happen in the fixed rate period Mr W would have to pay the ERC. In those circumstances, a new fixed rate risks making things worse not better in the long run. So I think it was fair Barclays didn't offer Mr W a new fixed interest rate product – I wouldn't expect it to do so until he could show that doing so would make the mortgage affordable for him. Although Mr W has been clear that he was a loyal Barclays customer for many years that had historically made his payments, Barclays had to consider the financial position Mr W was in when he asked for a new (lower) interest rate product.

So while I'm in no doubt that Mr W feels that Barclays should have done more to support him, I don't think it's fair to say that Barclays acted unfairly towards him in relation to his proposal to release equity from his property or to get a new interest rate product.

Barclays' communications and support for Mr W

Mr W is very unhappy with the contact he has had with Barclays since his mortgage fell into arrears. He says that at one point he was receiving numerous phone calls each day from Barclays staff – something he considers to be harassment. He also complains that when he did speak to Barclays' staff he had to repeat himself to different people, in different locations across the world. He feels the people he spoke to weren't equipped to help him and didn't do so. He says that had a huge impact on his already fragile health and he had to stop taking Barclays' telephone calls.

After this Mr W got two representatives to help him. Initially his father helped him, but Mr W complains that Barclays continued to call his father when his mother was unwell. Later Mr W had problems getting his friend (who lives abroad) set up as a representative on his account.

I've considered Barclays' notes of its contact with Mr W and his representatives. I've also considered a number of letters that it sent him. Barclays' notes don't support Mr W's assertion that it called him numerous times each day. But I can see that Barclays wrote to Mr W frequently after he stopped making his mortgage repayments to tell him about the arrears on the account. It also tried to contact him, and later his father (as his representative) on a number of occasions on the phone without success.

I appreciate that Mr W was upset by Barclays' contact with him (and his representatives) since September 2020. He says Barclays should have left him to recover and shouldn't have made matters worse by trying to contact him as frequently as it did. He has told us how some of Barclays' contact triggered him and exacerbated his health condition.

I understand Mr W's point of view and I'm sorry to hear what he has told us about. However, I'm conscious that Barclays was obliged to ensure that Mr W was fully aware of the potential consequences of the substantial arrears that were building up on his account, and later on about potential litigation. I'm also conscious that in order to help him reduce the arrears on the mortgage, it needed to speak to Mr W about his account and understand his wider circumstances, including what (if anything) he could afford to pay. Given the significant arrears I can understand why Barclays wasn't willing to do nothing while the arrears continued to grow. I don't think that would have been a responsible thing for it to do. So overall, I'm not persuaded that the level or nature of the contact was unreasonable given the arrears on Mr W's account – even bearing in mind Mr W's vulnerabilities. I'm satisfied that there would have been less contact if Mr W (or his representatives) had been able to pick up the phone when Barclays called.

For completeness I will make two further points here. Firstly, I can see that at one point Barclays sent a field agent to the property as its letters hadn't been responded to. I appreciate that such a visit was unwelcome. But, I don't think it was unreasonable for Barclays to send field agents to the property to check on its security and try to engage with Mr W given the level of arrears.

Secondly, I think it's worth me saying here that I think that Barclays could have handled its communications with Mr W better. He has talked about the impact of having to repeat himself to a number of Barclays' advisers, and that at one point he was in contact with Barclays' specialist support team but that contact ended without him knowing why. As Mr W had made Barclays aware of his vulnerabilities on many occasions, I think it would've been helpful for Barclays' specialist support team to help Mr W on an ongoing basis. Alternatively I think it would've helped Mr W if he had been given a single point of contact to speak to about his account.

Mr W has also complained that Barclays' legal representatives tried to send him a text

message about it being law firm of the year and that the relevant law firm didn't know his case had been put on hold when it had. I can understand why Mr W was very frustrated by these issues. However, I've seen nothing to persuade me Barclays or its agents harassed Mr W or his representatives as he has suggested.

Very recently Barclays has agreed to pay Mr W £500 compensation to reflect the upset some of its communications (and those of its agents – such as its legal representatives) caused. I think that's a fair and reasonable amount bearing in mind the nature of Barclays' mistakes and the impact on Mr W. Mr W has described £500 compensation as an insult. I'm sorry he feels that way. However, I think it's a fair and reasonable amount for the reasons set out above.

Conclusion

I appreciate that Mr W has been going through a difficult time since late 2019. I'm very sorry to hear that, and genuinely empathise with Mr W's situation.

However, Mr W's mortgage has been unpaid for more than two and a half years now. The arrears on his account are substantial and increasing. To move forwards, Barclays will need to look carefully at his situation to see whether there's further assistance it can offer, and Mr W will need to engage with Barclays and try to work with it. I hope a solution can be found, and Mr W is able to resume paying his mortgage. But if that doesn't prove to be possible, Barclays might decide it needs to take further action. That might involve action to repossess the property – something I know Barclays has put on hold since early 2022. If Barclays does decide it needs to take further action it should bear Mr W's vulnerabilities in mind as it does so. That includes keeping under review whether it would be more appropriate for Mr W to be dealt with by its specialist support team.

Putting things right

To put matters right Barclays should pay Mr W the £500 it has offered to pay him.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint and direct Barclays Bank UK PLC to pay Mr W £500 to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 April 2023.

Laura Forster
Ombudsman