

The complaint

Mr M complains Barclays Bank UK PLC went back on an agreement to let him switch to a new fixed interest rate product on his mortgage after his partner had passed away.

What happened

In 2021 Mr M and his late partner took out a residential mortgage of around £320,000 with Barclays. They had a two-year fixed interest rate product that was due to end in May 2023. If the mortgage was repaid sooner, an early repayment charge (ERC) of around £6,390 had to be paid.

Mr M's partner passed away in September 2021. Mr M recalls Barclays telling him at around that time he'd be able to switch his mortgage to a new fixed interest rate within 18 months of the loss of his partner and that he wouldn't need to go through an affordability assessment or incur an ERC when he did.

In early August 2022 Mr M spoke to a Barclays adviser about switching the rate. The adviser helped him carry out an on-line application. When Mr M didn't receive confirmation of the rate switch as he'd expected, he contacted Barclays to find out why.

Barclays said that before the switch could take place, he'd need to go through a transfer of equity (TOE) application and an affordability assessment. They also said he was too early to apply for a new rate if he planned to start it when the existing rate expired. And if he wanted to come out of the existing deal straight away, he'd have to pay the ERC.

Mr M complained. He was unhappy Barclays had gone back on what he'd understood they'd told him in 2021. He thought they should honour the rate he applied for in August 2022. And he was unhappy about delays. Barclays didn't uphold his complaint, so he brought it to the Financial Ombudsman Service.

While our investigator was looking into things, Barclays offered Mr M £300 compensation. Our investigator thought that was fair to put things right. He said, broadly, Barclays should have explained on the August 2022 call the steps Mr M needed to take to remove his late partner from the mortgage. But he had to do that before he could change the interest rate. Since he wasn't eligible for a product switch in August 2022, it wasn't fair to ask Barclays to honour the rate he applied for at the time. And since he was tied to an existing product, he would have had to pay the ERC to move to a new product before the deal had expired.

Mr M didn't agree. He thought Barclays should give him the rate he'd applied for in August 2022. Since they hadn't, he'd missed out on a lower interest rate. And he'd calculated his mortgage would cost him around £20,000 more in interest than it would have done if his application had been accepted.

Since Mr M's complaint hasn't been resolved, it's been passed 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.

I am sorry to hear of Mr M's bereavement and of the financial pressures he's been under. I can understand he's had a difficult time. And I appreciate his strength of feeling about what's happened. However, whilst I understand he'll be disappointed, I've come to the same outcome about his complaint as our investigator for similar reasons, as I'll explain.

Mr M recalls speaking to Barclays in 2021 shortly after his partner passed away. He remembers Barclays telling him he'd be able to switch the interest rate product on his mortgage within 18 months of his partner's death without going through an affordability assessment or incurring an ERC.

I've no reason to doubt a conversation took place then. Unfortunately, Barclays haven't found a call recording from the time linked to the telephone numbers they held for Mr M. And Mr M's been unable to tell us the number he called on. So, it isn't possible to check what was discussed.

I'm conscious that memories fade over time. And Mr M told Barclays when he spoke to them in early August 2022 that he couldn't remember what they'd told him the year before. That's understandable given the circumstances. It's possible Barclays said he could apply for a new rate in 18 months since the existing rate was due to expire in May 2023. But, based on the available evidence, I can't reach any firm conclusions about that or say that Barclays made a mistake at the time.

When Mr M spoke to Barclays in early August 2022, he told the adviser he'd lost his partner and about his understanding from the earlier conversation that he could now apply for a new rate. The adviser noted he was on a fixed rate and said she'd need to check if he could switch early. From what she said, I can understand why Mr M thought no ERC would be payable if he did. And she helped Mr M complete and submit an on-line application for a new two-year fixed interest rate product. From the overall conversation and the written confirmation he got after successfully submitting an application, it was reasonable for Mr M to think the application would go through.

Barclays have acknowledged their adviser should have told Mr M a TOE was required before he could complete a rate switch application. And she should have booked him in for an appointment with a mortgage adviser instead of giving him the option to apply on-line himself.

I can understand Mr M was unhappy with the delay in his application being considered. He chased Barclays. Their notes suggest they'd looked into Mr M's situation in early August. But it wasn't until around the end of September, following some exchanges of correspondence, that they explained fully that the application couldn't go ahead until his late partner's name had been taken off the account and, once that had happened, he'd incur an ERC if he switched before the existing deal ended, or would have to apply later to avoid that.

Barclays' mistake was failing to explain what needed to happen before Mr M could apply for a rate switch and giving him the impression that the August 2022 application would succeed. But they didn't give any guarantee it would. The application failed once Mr M's circumstances were looked into more closely. And Barclays explained things clearly to Mr M at the end of September 2022. Since Mr M's application couldn't have succeeded at the time, it wouldn't be fair to ask Barclays to honour the rate he applied for in August.

Mr M and his late partner were tied into the existing fixed interest rate product until May 2023. Barclays restricted Mr M from applying for a new rate until the last few months of the existing deal unless he wanted to get out it by paying the ERC. And the new rate would only then have come into effect once the existing deal had ended.

Mr M said he could have paid the ERC to get out of the existing deal and secure a lower rate to save money in the long run. But Barclays required the TOE to go through first. They wanted to see his late partner's will and any grant of probate. I note Mr M didn't agree that was necessary since he's registered as the sole owner of the property at the land registry. But it was reasonable for Barclays to check Mr M's entitlement to his late partner's share of the property, that he'd be able to afford the mortgage on his own and that their security wouldn't be adversely affected by the TOE. That was in line with their obligations to lend responsibly and their valid commercial interests.

I understand Mr M's unhappy the TOE application hasn't gone ahead even though he's sent Barclays the documents they've asked for. Since that's not part of the complaint Mr M originally brought to us in December 2022, I can't consider it here. He'd need to complain separately to Barclays before we could look into it.

Bearing everything in mind, I don't think Barclays acted unreasonably in relation to the interest rate application or that it would be fair to require them to honour the rate he applied for in August 2022. However, Mr M told us Barclays' poor communication led to stress and concerns about his finances. I think it's fair they compensate Mr M for the delays and poor service as I'll explain below.

Putting things right

Mr M reasonably expected his application to go through from his discussion with Barclays in August 2022. And he'd had to chase Barclays for a response to his application over several weeks. I think Barclays should have communicated better and more quickly initially. I can understand the delay was upsetting for Mr M at an already difficult time following the loss of his partner and issues he's told us arose in relation to that. And it took Barclays until the end of September 2022 to explain what he needed to do. But their explanation was clear, and Mr M had the information he needed to take things forward to sort his mortgage out then.

Mr M decided to complain. And he's unhappy that his complaint wasn't dealt with more quickly. We can't generally consider complaints about complaint handling. I'd note Barclays had eight weeks to provide a response. They weren't obliged to. And they failed to provide one in the end. But they kept Mr M updated about the progress of his complaint and let him know he could bring it to us after eight weeks had gone by. So, they followed the right process. And Mr M was able to bring his complaint to us to consider.

Bearing all the above in mind, I think the offer of compensation Barclays made of £300 is fair and reasonable. And they should now pay that sum to Mr M.

My final decision

My final decision is that Barclays Bank UK PLC must pay Mr M £300 compensation for distress and inconvenience.

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

Julia Wilkinson

Ombudsman