

## The complaint

Mr M complains that Barclays Bank UK PLC didn't treat him fairly when his mortgage fell into arrears. He asks that it switches his mortgage to interest only payments, extends the term and removes adverse data from his credit file.

## What happened

Mr M's mortgage account fell into arrears during the Covid-19 pandemic. Mr M proposed switching his mortgage to interest only payments. He says this would have given him time to recover financially and return to a repayment basis, or maintain a clean credit file so he could re-mortgage elsewhere or make an orderly sale of the property. Mr M says he had worked in an industry where adverse data on his credit file would cause difficulties.

Mr M says Barclays unfairly recorded arrears on his credit file and didn't respond to his proposals to switch to interest only payments, ideally with a term extension. He says it recently passed his account to solicitors, despite confirming that it wouldn't start legal action.

We told Mr M that we can't look into all parts of his complaint. That's because some parts of his complaint were brought to us outside the time limits we must apply. We told Mr M we can look into:

- his complaint about his account being passed to solicitors, and
- what support Barclays offered to Mr M, how it responded to his proposals and whether it recorded data on his credit file fairly from 16 November 2021.

Our investigator said Barclays followed the regulator's guidance when it granted Mr M six months of payment deferrals during the Covid-19 pandemic. After this, Mr M was unable to resume payments. He said Mr M hadn't maintained monthly payments and it was right for Barclays to record this on his credit file.

Our investigator said Barclays started legal action prematurely and should pay £300 compensation. He said Barclays should now engage with Mr M to explore whether there was a suitable solution, taking account of Mr M's circumstances.

Barclays agreed to pay the compensation and said it would contact Mr M to discuss his arrears and his proposals for repayment.

Mr M said his only request was for his mortgage to switch to an interest only basis, ideally with a term extension to maximum age. He said Barclays should have anticipated customers with a short remaining term emerging from the pandemic with unaffordable higher payments. He said if Barclays had responded fairly, he wouldn't have missed payments, so there would have been no damage to his credit file.

Mr M asked about the basis on which we award compensation. He said £300 isn't enough for the impact of being taken to court and facing losing his home. He said Barclays hadn't met the regulators guidance or its own statements about supporting customers to stay in

their homes

Mr M says he now has a good job and he'd like Barclays to remove the adverse credit so he can re-mortgage.

### **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.

Mr M asked about the basis on which we award compensation. If I find that Barclays made an error, I can require it to put matters right. When awarding compensation, I consider the impact of the error on Mr M. There's more information about this on our website.

I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

I've set out briefly what happened before mid-November 2021, as it's the context for the complaint I'm looking into. But I must be clear that I'm not looking into, or making any findings about, Barclays response to Mr M's proposals before mid-November 2021. As I've said, I can only look into what happened from 16 November 2021.

Prior to November 2021 Mr M made a number of requests to switch to interest only payments, preferably with a term extension. His plan was to switch to interest only terms until his financial position recovered from difficulties caused by the Covid-19 pandemic. He says he'd have been able to maintain interest only payments and thereby maintain his credit record.

Mr M says if he'd been told this wasn't possible he'd have taken other action – to sell the property or re-mortgage. He says this request was never answered and, as a result, Barclays recorded missed payments on his credit file.

Barclays sent a final response letter to Mr M in mid-November 2021. It set out its income criteria for an interest only mortgage, and said Mr M would have to evidence that he met this. It said it hadn't referred Mr M's request to its underwriters as there was no possibility of its decision (that he didn't meet this criteria) being overturned. Barclays apologised for not giving Mr M a clear answer before, and set out details of its customer home assistance team, which it said could support him in resolving his arrears.

Barclays has to record accurate and up to date information with the credit reference agencies. By November 2021 Mr M's mortgage account had arrears of about £30,000. After this, further payments were missed or not made in full. I don't think Barclays made an error when it reported this to the credit reference agencies, and I can't fairly require Barclays to remove the adverse data.

Barclays told Mr M he'd need to contact the customer home assistance team and complete an affordability assessment to discuss a term extension or change in his payment terms, or what other support could be offered. Barclays told Mr M it couldn't assess what help it could offer without income and expenditure information.

Barclays records say it tried to contact Mr M to discuss his arrears without success. In early 2022 it decided the account met its criteria for litigation and it passed the account to solicitors, to start recovery action.

Mr M raised a complaint, saying Barclays shouldn't have passed the account to solicitors when he was trying to get the account moved to interest only or extend the term.

Rules of mortgage regulation say that taking possession is a last resort, when all other reasonable efforts to resolve the matter have failed. This doesn't mean Barclays had to agree to Mr M's proposals. I think Mr M was aware by late November 2021 that Barclays hadn't agreed to his proposal to switch to interest only payments, and he'd need to contact the customer home assistance team to see what options were available.

But I would expect Barclays to explore what options might be available to Mr M and make reasonable efforts to reach a suitable agreement about how arrears will be repaid, before starting litigation. As Mr M points out, Barclays acknowledges this in its own statements. I note also that Barclays made attempts to contact Mr M, and asked him to contact its customer home assistance team to discuss his arrears.

I understand that Mr M believes the proposal he made is right for him. I'm sorry to disappoint Mr M, but I don't think it would be fair and reasonable for me to require Barclays to switch his mortgage to interest only payments. Barclays will need information from Mr M about his circumstances to explore what options are available and if there's a suitable solution. Mr M will need to engage with Barclays and provide the information it requests for it to consider with him what options might be available.

Barclays agreed to pay £300 compensation for the upset caused to Mr M by starting litigation prematurely. It says it will contact Mr M to discuss his account. I think this is fair.

Mr M says £300 compensation doesn't recognise the impact of facing the loss of his home and tens of thousands of equity due to a forced sale and the impact of the court ruling. There's no doubt Mr M is in a difficult position, and this must be stressful. But I need to take into account the wider circumstances. The reason Mr M is at risk of losing his home is due to the level of arrears on his account, and not having an arrangement in place to address the arrears. Barclays gave Mr M details of the customer home assistance team to discuss ways to resolve his arrears. Taking all this into account, I think for the additional distress caused by Barclays starting litigation prematurely £300 is fair and reasonable.

Barclays says it will contact Mr M to discuss repayment of the arrears. I would urge Mr M to respond to Barclays with the information it requests to explore what options – if any – might be available to him. Mr M says he now has a good job and this might mean he does have options available. Ultimately though, if Mr M doesn't have other means to repay the mortgage debt, Barclays will be entitled to recover the debt through the sale of the property.

Mr M says Barclays didn't provide the evidence bundle or give him time to organise advocacy before the court hearing. Courts have their own rules and processes. If Mr M is concerned the correct process wasn't followed this is a matter better raised with the court.

### **My final decision**

My decision is that Barclays Bank UK PLC should pay £300 to Mr M and make reasonable efforts to contact him to explore what options might be available to resolve his arrears.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 July 2023.

Ruth Stevenson  
**Ombudsman**