

The complaint

Mr and Mrs V complain about what happened when they extended their mortgage with Barclays Bank UK PLC. They wanted some extra money to build an extension, but said Barclays' delay in paying meant they lost the builders, and were left in an unsuitable home.

What happened

Mr and Mrs V told us they have a mortgage with Barclays, and they'd agreed some further lending on the mortgage, which they wanted to use to pay for an extension on their home. They said this money should have been available to them at the start of August, but Barclays didn't pay on time. Barclays has blamed this on a mistake by its back office.

Mr and Mrs V said as a result of the delay, they lost the reliable builders they'd chosen to do this work for them, and waited two years for. Barclays did provide the money at a later date, but without the builders Mr and Mrs V said the money was no longer needed. Mr and Mrs V said they paid the money back, but Barclays had already charged two interest payments, and it then charged a third. Plus they'd paid £999 as an arrangement fee for lending they could no longer use.

Mr and Mrs V wanted this extra lending mortgage account to be closed, the three payments and the arrangement fee to be refunded, and a payment of compensation. Barclays had already paid £500 in compensation, but Mr and Mrs V said that didn't sort things out.

Barclays said it would close this mortgage for Mr and Mrs V, and return the payments they'd made for October and November. (It appears this letter was written before the December payment was also taken.) Barclays would also refund the product fee of £999 that it had charged for this lending. And it has paid Mr and Mrs V £500 in compensation.

Mr and Mrs V said this had taken up a huge amount of time, and caused a great deal of distress. They said Barclays had finally credited them with the money they'd paid back to the loan account, and interest they'd been charged for three months was refunded. They said they'd wrongly been advised to cancel the direct debit for their mortgage, when they expressed concerns that a further payment would be taken at Christmas. They didn't feel that £500 made up for what had gone wrong here, and the effect it had on their family.

Our investigator thought this complaint should be upheld. She said Barclays acknowledged it let Mr and Mrs V down, as the loan funds weren't released on the agreed date. Our investigator accepted that Barclays' delays caused Mr and Mrs V to lose their chosen builders, and stop their planned extension, which they were counting on to improve the quality of life for their family.

Our investigator also said Barclays then made things worse, by not providing the redress it offered for this complaint. It said in November that it wouldn't take any more payments for this debt, but it did. And it hadn't paid back the £999 product fee it had offered to return.

Our investigator said Barclays should now refund the £999 product fee, as it had offered, and when it does, it should add interest at an annual rate of 8% simple from the date Mr and

Mrs V paid the product fee, until the date of settlement. And she said Barclays should pay a total of £750 compensation, which would mean Barclays would now pay £250 more.

Barclays agreed, but Mr and Mrs V didn't. Mrs V replied to say Barclays' actions had an ongoing effect, as the family was living in a house that was too small for them, and couldn't now do anything about that. Mrs V said they'd spent time drawing up plans, and agreeing with the council that this work could go ahead, as well as time choosing builders and waiting for their preferred builder to be free to take on the work. Mrs V told us this caused arguments between her and Mr V, and affected her health.

Mrs V said Barclays still hadn't paid the £999 product fee back. She repeated that she'd been given wrong advice, approaching Christmas, that she should cancel the direct debit for the mortgage. She wanted interest on the money the bank had kept. And she stressed just how much of her time this had taken up, trying to get the bank to put things right.

Because no agreement was reached, this case came to me for a final decision. I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

I understand that Mr and Mrs V had put a great deal of care and effort into the arrangements for building an extension on their home, and that they considered this was increasingly necessary for their family. So I'm sorry to hear that these plans haven't come to fruition.

Barclays has accepted that funds should have been released on 1 August 2022. Its records show that Mrs V first chased the payment on Saturday 3 September, and at that time she said she was expecting the mortgage funds to be drawn down on 1 September, not a month earlier. Unfortunately, by the time Mrs V chased the funds, the offer had expired.

I appreciate that Barclays did make a mistake, not releasing the money at the start of August. But its records suggest it wasn't alerted to this mistake for over a month. So I think Mr and Mrs V's funds weren't available during August due to a combination of two things – one was that Barclays had made a mistake. And the other was that Mr and Mrs V don't appear to have been expecting the money until the start of September.

Barclays quickly reinstated the offer of additional borrowing, and it confirmed the funds were with Mrs V by Tuesday, 6 September. So I think Barclays then worked very quickly indeed to reinstate this borrowing, once it was alerted to the mistake.

On the same day as funds were sent to them, Mr V told Barclays they had lost their first builder. But at the time, they appeared to have found another builder to do the work, as Mr V was then asking Barclays to cover increased costs of £3,000.

I understand the work didn't, in fact, go ahead. Mr and Mrs V have told us the extension they wanted may never now be built. But I can only consider, in this complaint, how Barclays' actions have impacted Mr and Mrs V. And, as Mr and Mrs V did apparently secure a builder at the time, albeit at an increased cost, I haven't been able to see that it was wholly Barclays' fault that this work wasn't done. I also haven't been able to see that, because of what happened here, it would be likely to be Barclays' fault if this building work wasn't able to go ahead at some point in the future.

Once Mr and Mrs V were clear they weren't going ahead with the work, they asked to return the funds. I can see Barclays had agreed to this on 21 October, but I can't see that Mr and Mrs V were told about this, and about the arrangements for the return, until 10 November 2022. I'm not clear on the reasons for this delay, and this does appear to have prolonged things for Mr and Mrs V.

The money wasn't returned right away. Mr and Mrs V told Barclays they'd paid it into a with-notice account. Unfortunately, I think this also prolonged things for Mr and Mrs V. The mortgage advance was eventually returned on 7 December, very shortly before Mr and Mrs V's next monthly payment was due.

I understand Mr and Mrs V were very concerned to still be asked for monthly payments on this lending for October, November and December. Although I appreciate that Mrs V had asked Barclays not to take payments in the meantime, I do think Barclays was entitled to ask for payments, while the lump sum still hadn't been repaid. I don't think Barclays could be sure, until the money was returned, that Mr and Mrs V's plans wouldn't change.

Barclays then took one more payment in December. I know this was just after Mr and Mrs V finally returned the money. But I just don't think Barclays was given sufficient time between the return of the advance and the next monthly payment, to allow it to cancel that direct debit payment. Barclays did tell Mrs V she could cancel this payment herself, and Mrs V said she didn't do so, she thought this was very bad advice. But as Mr and Mrs V didn't owe the mortgage money by then, I don't think non-payment for December was likely to have resulted in negative markers on their credit files. So I don't think this was bad advice after all.

It's clear that Mr and Mrs V have received some poor service from Barclays, and I note that Barclays has accepted some fault in this case. So I think what's important here is that I'm satisfied it's done enough to provide a fair and reasonable outcome to this complaint.

Barclays has agreed to refund the £999 product fee, including 8% simple interest, to Mr and Mrs V. And it has agreed to pay an additional £250 in compensation, to make a total of £750.

I understand that what's gone wrong here has caused distress and inconvenience to the family. They spent a considerable amount of their time planning for the extension, then trying to put things right when the money didn't arrive. And Mrs V also told us this affected her health. So I think that a total compensation payment of £750 would provide part of a fair and reasonable outcome in this case.

Mrs V said she hadn't yet had a refund of the £999 product fee she was charged for this lending, although Barclays offered to make that refund in November 2022. I'll require Barclays to refund that fee now, if it hasn't already done so. I also agree with our investigator that Barclays should add interest at an annual rate of 8% simple from the date Mr and Mrs V paid the product fee, until the date of settlement.

I think Barclays may now have refunded the contractual monthly payments it charged for this lending, but I'll require it to do so as part of my award in this case if it hasn't done so already.

I can see that Barclays initially tried to make refunds as early as mid-November, but Mr and Mrs V hadn't yet returned the money Barclays had lent them, so the refund didn't go

through. I wouldn't have expected Barclays to return the contractual monthly payments at this point.

Mrs V asked why there was no interest payable on these payments. I think these payments have been outstanding for some time for a combination of reasons, one of which is that Mr and Mrs V weren't able to return the money they'd borrowed for almost a month after Barclays said it would take it back. And I think Mrs V was told how she could avoid making the final payment, taken in December. I don't think, in all the circumstances of the case, that it would also be fair and reasonable to ask Barclays to pay interest on this money too.

For the reasons set out above, I think this provides a fair and reasonable outcome to this complaint. I know that Mr and Mrs V will be disappointed, but I don't think Barclays has to pay more than this.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Mrs V replied, to say that she didn't feel the offer reflected what she and Mr V had been through, but she had no further comments.

Barclays replied to say it agreed. It said the contractual monthly payments had already been repaid, and £500 in compensation had been paid. It agreed to pay the remaining elements of my award.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Barclays Bank UK PLC must –

- Refund to Mr and Mrs V the contractual monthly payments it took for the additional mortgage advance it made in September 2022, if it hasn't done so already.
- Refund to Mr and Mrs V the product fee of £999 it charged for the additional mortgage advance it made in September 2022, if it hasn't done so already. Barclays Bank UK PLC must pay interest at 8% simple on this refund, from the date the fee was paid until the date of the refund. HM Revenue and Customs requires Barclays Bank UK PLC to take off tax from this interest. Barclays Bank UK PLC must give Mr and Mrs V a certificate showing how much tax it's taken off if they ask for one.
- Pay Mr and Mrs V a further £250 in compensation, to make a total of £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 5 October 2023.

Esther Absalom-Gough
Ombudsman

