

The complaint

Mr M complains that Barclays have unfairly declined his requests to extend his interest-only mortgage, convert it to a capital repayment mortgage and take out further borrowing.

What happened

Mr M took out an interest-only mortgage with Standard Life which was later transferred to Barclays. The Mortgage has three account all of which were set to mature in early 2022 requiring around £175,000 to be repaid.

Mr M says he approached a mortgage broker in September 2021 to explore his options. He then contacted Barclays directly in mid-February 2022 setting out a proposal.

In summary, Mr M wanted to remortgage for £200,000 (£25,000 of which would have been additional borrowing for property maintenance) and to extend his term to 1 September 2035 when he turned 75 and planned to retire. He also wished to convert the mortgage to a repayment mortgage rather than interest only. Mr M proceeded to send several letters to Barclays and had several calls with its advisers and two appointments with its mortgage advisers – all to no avail.

Barclays explained that it would not offer any form of remortgage to Mr M as he had several outstanding charging orders against his property which it thought amounted to around £150,000. It also noted that the charging orders plus his outstanding mortgage balance of £175,000 meant he had little equity in the property. So, it declined his proposal. It reached out to its underwriters internally to see if there was anything they could offer Mr M outside of its normal lending criteria but unfortunately, it did not agree to any of his proposals.

Unhappy with Barclays' failure to respond to his letters, its decision not to grant his proposal and instead pursue litigation as well as being passed between multiple departments without the context of his request and mortgage history being shared between departments, Mr M complained.

Barclays issued its final response on 21 February 2023. It accepted that it had not responded to some of Mr M's letters and the failure to do so meant its service had fallen below the level Mr M could reasonably expect of it.

Barclays offered £200 in acknowledgement of this error. But it maintained that it was appropriate that it carry out a full application in light of Mr M's request to change his mortgage. Barclays also explained that although Mr M had been in touch to discuss options for extending his mortgage, it was unable to pause arrears and end of term letters notifying him that his account was overdue and it was now considering possession. It explained that it had an obligation to keep Mr M updated on the status of his account.

Unhappy with Barclays' response, Mr M wrote a follow up letter and after some further correspondence, referred the complaint to our service.

One of our investigators looked into the complaint but did not think it should be upheld. He acknowledged that Barclays had made an error in not responding to one of Mr M's letters. But, he thought its offer of £200 was fair and reasonable in the circumstances. He did not think it was unreasonable for Barclays to want to carry out a full assessment of Mr M's circumstances and application before granting a change to the mortgage, so he did not think Barclays had acted unfairly in not automatically approving Mr M's proposal.

Mr M disagreed with the investigator's assessment. He doesn't think the investigator took into account the regulator's guidance, mortgage regulation, Barclays actions meaning he has been on the SVR since 2011 and that Barclays could amend the mortgage without changing its security. As such, he asked that the case be reviewed again by an ombudsman.

As the complaint could not be resolved informally, it has 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.

Mr M has asked that we "spell out" everything that we rely on to reach our decision and explain why we haven't relied on other sources. However, ours is an informal service which acts as an alternative to the Courts. So, although I have read everything that has been supplied to me, I will focus my decision on what I think is material and relevant to reach a fair and reasonable outcome.

Mr M has referred to other decisions issued by this service and asked why he wasn't notified of these and why they were not referenced by the investigator. Our decisions do not set precedent and we consider each case on its own individual merits. So, I will not be referring to decisions issued on other, unrelated complaints, in my decision.

I should first note that in his response to the investigator's assessment Mr M has referenced the rate of interest he has had to pay and how this has compounded his inability to reduce the capital balance. He also made reference to this in his early submissions to us, referring to being a mortgage prisoner as he is unable to move elsewhere. I am unable to comment on Mr M's concerns here as they did not form part of his original complaint to Barclays.

Under the rules that apply to this service, a firm must be given the opportunity to consider the complaint made before I am able to investigate the concerns raised. So, I am unable to comment on this point any further in this decision. Should Mr M wish to complain about the rate of interest he has been charged and whether Barclays treated him fairly by allowing him to stay on the SVR rather than move him to a more favourable interest rate, he will need to complain to Barclays about this in the first instance.

Mr M has suggested Barclays could've approved his proposal without carrying out a formal application/assessment of his needs as its security would remain the same. I do not agree. Barclays must ensure any lending it agrees to is responsible and sustainable for the individual consumer. In this instance, Mr M's initial proposal amounted to a request for further borrowing, making a material change to the mortgage contract (amending to repayment from interest-only) and extending the term outside of its normal lending criteria. As such, Barclays was obligated to ensure that any such proposal would be affordable and sustainable for Mr M while also protecting its security. So, its decision to not approve the proposal informally is not a reason for me to uphold this complaint.

I am aware Mr M considers it possible for Barclays to restructure the debt without making any changes to its original charge on the property – and as such, he disagrees with its

decision to decline the application on the basis that he has multiple charging orders secured against the property. I accept it may be possible for Barclays to grant a re-mortgage without amending its original charge. But this does not mean I am going to uphold the complaint and direct Barclays to grant the proposals Mr M is seeking. There were other reasons Barclays relied on in declining Mr M's various proposals and when looked at in the round, I am not persuaded it has acted unreasonably in this regard.

I've concluded that it was reasonable for Barclays to want to carry out a full assessment of Mr M's position before granting the change to his mortgage, including an affordability assessment – although I can see it did not complete a *full* affordability assessment as it stopped the application once it discovered the charging orders. But there are circumstances in which it would be reasonable for a lender to permit a material change to the mortgage contract if it would be in the consumer's best interests to do so. So that is what I have gone on to consider next.

Barclays determined that, with the charging orders in place, Mr M had very little equity in the property, so it was not prepared to discuss any further borrowing or other material change to the mortgage while they remained in place. I am satisfied this is reasonable. While it is true Barclays holds the first charge and therefore would be first in line to receive funds when the property is sold, this does not mean it would be responsible to grant further lending which would increase Mr M's indebtedness to his detriment and potentially lead to the property being in negative equity.

Secondly, extending the term by a further 13 years would significantly increase the amount of interest charged on the debt which would also reduce the amount of remaining equity in the property. So, I am not persuaded such a change would be in Mr M's best interests given the limited equity available at the time of Mr M's request.

Mr M also wanted to explore changing the mortgage type to repayment, but such a change would increase both the interest payable on the debt and significantly increase his monthly repayments. Given Mr M had multiple charging orders on the property in excess of £150,000 which he was obligated to repay, had told Barclays he did not want to sell the house, wanted to rely on his salary over the next 13 years to repay the debt and did not have any other repayment strategies in place, it is reasonable to conclude that Mr M would also be attempting to pay back the charging orders over that time too. So, increasing his contractual monthly repayments was unlikely to be in Mr M's best interests.

Overall, I am persuaded Barclays did give due consideration to Mr M's proposals, but it reasonably declined to approve them without a full assessment. Upon starting a full application, it discovered Mr M's financial position had significantly changed since it originally lent to him and that it would not approve the changes to the mortgage he had requested. In doing so it considered both a straight term extension on interest only and Mr M's full request of changing the mortgage to repayment and borrowing more. So, I do not agree that it didn't assess different options for Mr M.

It is also important to note that Barclays is not obligated to extend the term of the mortgage and is entitled to expect the funds lent to be repaid within the original term both parties agreed to. It not extending the term is not a reason to uphold this complaint. And while it must take reasonable steps to support consumers who reach the end of their interest only mortgage without a repayment strategy in place, this does not mean it should grant any request made by the consumer.

I appreciate what Mr M has said about not being able to start over again and the impact it would have on him were he to lose his home. I do not underestimate what he has said, and I

empathise with the situation he is in. But I am not persuaded Barclays has acted unreasonably in this case, so I am not going to direct that it grants Mr M's proposals.

I can see Barclays has been corresponding with Mr M from its collections team. Sending arrears letters and notification that the account has been passed to its litigation team. I can understand that this will have been adding to Mr M's worry and he has found it frustrating to continue to receive such letters while trying to engage with Barclays' other department regarding his term extension. However, a lender is required to keep a consumer updated as to the status of their mortgage and notify them of likely action should an account not be brought up to date – not doing so would be remis of Barclays.

Finally, I turn to Mr M's complaint point that he was being passed between different departments at Barclays, having to repeat his requests and his financial situation and it would have been much easier had Barclays given him one direct point of contact. Mr M has referenced decisions issued by this service which have recommended such an action. There will be scenarios in which a lender should appoint a designated point of contact, particularly in instances of vulnerability. But in this instance, I am not persuaded Barclays has acted unfairly by not offering a direct point of contact to Mr M.

It was appropriate that the initial call handlers Mr M spoke to direct his enquiries to a trained mortgage advisor. Mr M was looking to make a change to his mortgage and that would require a trained member of staff to assess his application rather than the initial call handler. And once Mr M had met with a mortgage advisor, he was told that unless his position changed regarding the charging orders on his property, Barclays would not be able to discuss any further proposals with him. This message was repeated when Mr M had a second meeting with a mortgage advisor.

As Mr M's position had not and was unlikely to change regarding the charging orders, appointing a direct point of contact with whom Mr M could continue to discuss his account with would not assist his aims of securing a new mortgage or a term extension. So, I don't think appointing a direct representative was necessary in the circumstances of this case.

I'm aware Barclays collections team were also in contact with Mr M but given his account had been moved to litigation and Barclays had made it clear that it would not agree to the proposals Mr M had made, I am satisfied its reasonable for Barclays specialist litigation team to be the point of contact for conversations surrounding repayment of the outstanding mortgage balance.

In terms of not responding to some of Mr M's correspondence, I can see Barclays offered £200 in recognition of the impact this would have had on Mr M. I have thought about this award and the impact not receiving a response would've had on Mr M as well as our general approach to compensation for distress and inconvenience. Having done so, I think Barclays offer is fair and I am not going to direct that it award any further compensation in this case.

I appreciate the very difficult circumstances Mr M is in and I empathise with his position. But as I haven't found that Barclays made an error in either its decision to decline his proposals or its collections activity, it would not be reasonable for me to uphold the complaint.

My final decision

For the reasons set out above, I do not uphold this complaint and I make no award against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 April 2024.

Lucy Wilson
Ombudsman