

The complaint

Miss E and Mr F's complaint is about a mortgage they have with Barclays Bank UK PLC. They are unhappy that Barclays reneged on attaching a fixed interest rate product to their mortgage when they were struggling to manage their payments.

What happened

Miss E and Mr F arranged a mortgage with Barclays to purchase their home in 2019. Attached to the mortgage was a two-year fixed interest rate product. In the autumn of 2020 they began to have difficulty making the monthly payments in full, and arrears built.

The interest rate product ended in May 2022, at which time the mortgage reverted to Barclays' standard variable rate (SVR) and the monthly payment increased. On 30 May 2022 Miss E spoke to Barclays about her and Mr F's financial position and the difficulties they were having in light of changes in their circumstances. It offered to put the mortgage on a fixed interest rate product of 1.74% for initially six, and later in the conversation, twelve months. It was explained that this would allow Miss E and Mr F some breathing space and give them a chance to start addressing the arrears on the account. Miss E accepted the offer and was told the product had been applied and how much the monthly payment would be.

However, Miss E and Mr F were not eligible for this rate, and it was not applied to their mortgage. Barclays left messages for Miss E to call it around a week later, so that it could explain that the new product hadn't been added to the account, but Miss E has said she didn't receive the messages.

When Miss E and Mr F discovered the interest rate product they'd been offered had not been attached to the mortgage, they complained. Barclays spoke to Miss E in July 2022, and offered £200 compensation for the upset the mistake had caused, at which time Barclays considered it had resolved the complaint. Miss E and Mr F didn't agree and asked us to look into the complaint.

Before we reviewed the complaint, Barclays did so again, and made a further offer to Miss E and Mr F. Due to their circumstances and Miss E's health situation, it said it was honouring the rate reduction that was agreed in May 2022. It was confirmed that the mortgage had been corrected for the period June 2022 to February 2023, and the arrears had reduced accordingly. In addition, Barclays said that it would apply a zero-interest rate to the mortgage starting 6 February 2023 for twelve months. Barclays also asked Miss E and Mr F for information about their circumstances so that it could establish what monthly payment they would be able to make going forward. It was subsequently confirmed the £200 compensation for the upset and inconvenience Miss E and Mr F had been caused was still available.

Miss E and Mr F didn't accept the offer. They asked that the zero-interest rate period be extended to 18 months or two years. This was because they would soon have a period of time where their income would reduce, and the additional time of no interest being paid would allow them to clear all of their arrears. They also considered the compensation

payment was too low, given how long the matter had gone on for, and should equate to two to three months of mortgage payments.

One of our Investigators considered the complaint and concluded Barclays' offer was fair in the circumstances. She explained that when an error was made by a financial business, we would expect a consumer to be placed in the same position they would have been in if the mistake had not happened. However, Barclays had offered to place Miss E and Mr F in a position that may well have been better than they could have been in, but for the error. As for the compensation, she was satisfied the amount was appropriate in the circumstances.

As Miss E and Mr F didn't accept the Investigator's conclusions, it was decided the complaint should be passed to an Ombudsman for review.

I issued a provisional decision on 13 October 2023, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Barclays has accepted that it made an error when it offered Miss E and Mr F an interest rate product they didn't qualify for. As such, I only need to consider what it needs to do to address its mistake and how much compensation should be paid for the upset and inconvenience they suffered.'

As our investigator explained, when a consumer is in financial difficulty and there is no sign that the situation will be resolved in the near future, it is not generally considered a good idea for a fixed interest rate product with an early repayment charge (ERC) to be attached to their mortgage. This is because if the property has to be sold, either voluntarily or due to repossession, the ERC would increase the cost of that action. However, a lender is required to explore ways to resolve an arrears situation and assist a consumer in difficulties if it is possible.

For long-term difficulties, a lender must look at ways to help, such as transferring a mortgage from capital and interest (repayment) to interest-only, deferring or reducing interest for a period, or capitalisation of arrears. Balanced against that is the lender's obligation to ensure that any arrangement is affordable and sustainable. The requirement for a lender to try to help a borrower doesn't mean that a consumer should be given whatever they ask for, but rather the lender needs to determine if it can put forward any proposals that will actually help the consumer and not just postpone the inevitable if the mortgage isn't and won't be affordable going forward.

In this case the fact that Barclays incorrectly offered Miss E and Mr F an interest rate concession they were not entitled to meant that further investigation into what could be done to assist them didn't happen. That said, Barclays realised this had been the consequence of its mistake, albeit many months later. When it then reviewed the situation in light of the mistake made and complaint, it not only put in place the concessionary rate for slightly over six months, but it also offered an entire year of no interest, so that all payments being made would go toward reducing the amount that is owed. This would allow Miss E and Mr F the opportunity to start to address the arrears on the account. Barclays then asked to review Miss E and Mr F's finances with them and establish quite what they could afford to pay, not only at that time but also during the temporary period their income would be even lower. It is unfortunate that this review took so long, but it is what I would have expected Barclays to do and I can only find that its offer is fair and reasonable in the circumstances.

As for Miss E and Mr F's request that the zero-interest rate period be extended, that is a matter that they should discuss with Barclays. However, I would explain that when concessions are made to assist consumers in financial difficulty they tend to be set up for relatively short periods of time. The consumer's situation would then be reviewed regularly to

establish their ongoing needs and what is the appropriate way for the lender to assist, if that is still needed, and if it is, possible and practical to do. As such, if Barclays wants to see how things go for Miss E and Mr F and review the arrangements with them closer to the time the concessions expire, that wouldn't generally be considered an unreasonable approach.

Miss E and Mr F have said the £200 compensation isn't enough, given the stress and anxiety the situation has caused them. I have considered this. When a consumer is in financial difficulties that in itself will cause stress and anxiety – that's not something I can ask Barclays to compensate them for as it is not Barclays' responsibility. However, if that is added to because of errors or failures on the part of Barclays, it would be appropriate for that to be reflected in an award for compensation. If that then directly caused a deterioration in health, that could also be factored in if it was supported by medical evidence.

In this case Miss E and Mr F believed they had agreed with Barclays something that would help them with their financial problems, only to discover that was not the case. This subsequently led to the threat of legal action being taken to repossess the property, which may well not have occurred had Barclays not made the mistake it did and it had completed an assessment of what it could do to assist Miss E and Mr F with their financial difficulties. In light of this, I consider that £200 compensation is not sufficient in the circumstances and that it should be increased to £500.'

Miss E and Mr F said they didn't think my conclusions were fair as I hadn't looked at the letters they had received from companies to talk about repossession or the letters they'd had from local people regarding the repossession. They provided further copies of letters they had given to us before the complaint was passed to me for consideration, plus two letters from a firm of solicitors offering to assist them with the repossession proceedings if they needed it.

Barclays accepted my provisional decision and agreed to pay the increased compensation payment.

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.

As I have detailed above, most of the correspondence Miss E and Mr F believe I did not factor into my conclusions were available to me when I reviewed the file. Those documents, as part of the activities being complained about, were considered and factored into my conclusion that a higher compensation payment was warranted. While Miss E and Mr F hadn't provided the two letters from the firm of solicitors offering them help, those letters haven't altered my conclusion. I remain satisfied that £500 is the appropriate amount in the circumstances.

My final decision

My final decision is that I uphold this complaint in part. I require Barclays Bank UK PLC to apply the interest rates it offered to Miss E and Mr F in February 2023 and pay them £500 compensation (including the £200 already offered/paid) for the upset its error caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss E and Mr F to accept or reject my decision before 15 December 2023.

Derry Baxter

Ombudsman