

The complaint

Mr A has complained that Barclays Bank UK PLC terminated the fixed interest rate period on his mortgage too early.

What happened

On 21 September 2021 Barclays Bank UK PLC sent a mortgage offer letter to Mr A. Barclays said that the mortgage offer was based on a loan for a property purchase on their “2Yr Fixed 0.99% (GZ12) mortgage product”. This meant that Mr A’s mortgage interest was calculated at a fixed rate for a set period, and that once that period had expired a variable interest rate would apply.

Barclays’ offer was for a repayment mortgage of £190,000 over a 25 year period. Their offer was valid until 13 March 2022.

Barclays emailed Mr A on 31 January 2022 to tell him that they’d released the mortgage funds to his solicitor. The purchase of Mr A’s property subsequently completed.

The fixed interest rate on Mr A’s mortgage finished on 30 November 2023 and the interest rate payable then moved to a variable interest rate, which was higher than the fixed rate that Mr A had been paying previously.

Mr A complained to Barclays. He said that the fixed interest rate on his mortgage should have remained in place for 26 months from the date that his mortgage completed. As Mr A’s mortgage hadn’t completed until the end of January 2022 then Mr A thought that his mortgage should have remained on the fixed interest rate until the end of March 2024.

Barclays didn’t uphold Mr A’s complaint. They said that the mortgage offer that they’d made to Mr A in September 2021 had said that the fixed interest rate period would end on 30 November 2023.

Mr A wasn’t happy with Barclays response, so he brought his complaint to the Financial Ombudsman Service. One of our Investigators reviewed Mr A’s complaint. Their view was that the September 2021 mortgage offer from Barclays said that the fixed interest rate period would end on 30 September 2023. Our Investigator didn’t uphold Mr A’s complaint.

Mr A didn’t agree with our Investigator’s view. Mr A claimed that the mortgage offer he’d received from Barclays in September 2021 said that the fixed interest rate period would last for a period of 26 months. Mr A asked for his complaint to be brought to an Ombudsman.

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've said above, Barclays sent a mortgage offer to Mr A which was dated 21 September 2021. I've seen a copy of this offer letter.

On page 3 of the letter, under the heading "*Main features of the loan*", Barclays said:

"This is a repayment loan of £190,000.00 on a fixed rate that will apply from completion until 30 November 2023. After 30 November 2023 the rate that will apply is a variable rate, which varies in accordance with changes to the Bank of England Base Rate. The variable rate will not go below a floor for the remaining term".

On page 4 of the letter under the heading "*Interest rate and other costs*" Barclays went on to say:

"Interest rate(s)

Step 1: A loan of £190,000.00 on a fixed rate of 0.99% that will apply from completion until 30 November 2023.

Step 2: After 30 November 2023 the rate that will apply is a variable rate, which is 3.49% above the Bank of England Base Rate, currently 0.10%, to give a current rate payable of 3.59%. The variable rate will not go below a floor of 3.49%, for the remaining term".

I therefore think that Barclays made it clear in their offer letter to Mr A that the fixed interest rate period under the mortgage being offered to him would finish on 30 November 2023.

Mr A claims that Barclays said in the offer letter that the fixed interest rate period would run for a period of 26 months before it finished. On page 5 of their offer letter, under the heading "*Amount of each instalment*", Barclays had said:

"These payments are based on a loan amount of £190,000.00 and assume the mortgage will start on 01 October 2021. Your first payment will include interest due from the date of completion to the end of that month which will be added to your normal monthly payment in the following month.

<i>26 payments at a fixed rate of 0.99%</i>	<i>£715.20</i>
<i>Followed by 274 payments at a variable rate currently 3.59%</i>	<i>£938.44".</i>

Whilst I appreciate that Barclays say in this section of their offer letter that there would be 26 payments at the fixed interest rate of 0.99%, Barclays also say that this is based on the assumption that Mr A's mortgage started on 1 October 2021. This would mean that the fixed interest rate period would run from 1 October 2021 until 30 November 2023, so 26 months.

But Mr A's mortgage didn't start until 31 January 2022, which meant that the fixed interest rate period ran from 31 January 2022 until 30 November 2023, and not for 26 months from 31 January 2022, as Mr A wants.

I also think that Barclays had made it clear in their offer letter that the fixed interest rate period wasn't based upon a number of months but would finish on 30 November 2023. This meant that even though the mortgage was a "*2Yr Fixed 0.99% (GZ12) mortgage product*", when Barclays assumed a mortgage start date of 1 October 2021, they showed 26 fixed interest payments and not 24 fixed interest repayments.

I am therefore of the opinion that Barclays had made it clear to Mr A in their mortgage offer letter of 21 September 2021 that the fixed interest rate period on his mortgage would finish on 30 November 2023, regardless of when his mortgage started. I also think that when Barclays said that Mr A would make 26 payments at the fixed interest rate, this assumed that his mortgage would start on 1 October 2021, which it didn't.

I therefore don't uphold Mr A's complaint.

My final decision

My final decision is that I don't uphold Mr A's complaint against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 May 2024.

Ian Barton
Ombudsman