

The complaint

Miss H complains that she was given incorrect information in relation to an early repayment charge (ERC) being payable when she redeemed her mortgage with Barclays Bank UK PLC (Barclays).

Miss H's father is acting as her representative for this complaint and also dealt with Barclays in respect of the issues raised.

What happened

Miss H had an interest only mortgage with Barclays and was informed that the rate would be increasing. She couldn't afford the increased monthly payment and her parents helped her by paying off the remaining mortgage balance of £54,908.60 on 25 October 2023. Following this, Barclays contacted Miss H to notify her that there was a shortfall of £472.82 required to fully redeem the mortgage. Miss H's father contacted Barclays in relation to this and was told the outstanding amount was an ERC as the balance had been paid off before 1 November 2023.

Miss H's father is unhappy with this as he says that they contacted Barclays and specifically asked for no ERC. He says that he was told that there was no ERC when they called before paying the mortgage off and that they were given the incorrect information. They also feel that it is unfair that the ERC has been charged as the payment was made only five days before the charge would no longer have been payable. Miss H would therefore like the ERC to be written off.

Barclays says that Miss H's interest rate finished on 30 November 2023. It is only willing to waive the ERC in the last 30 days of the rate so, as Miss H redeemed the mortgage on 25 October 2023, the ERC was still payable. Barclays says that its agent informed Miss H over the phone that an ERC would not be applicable from 1 November 2023 onwards. Therefore, it found no evidence that it had made an error in the information it had provided to Miss H (or her father) regarding the ERC.

Barclays says that the mortgage remains open and the £472.82 needs to be paid by Miss H in order for it to be redeemed. It has notified Miss H that interest is now accumulating on the outstanding balance and that its legal charge will not be released until the shortfall amount is paid in full.

Our Investigator looked into the case and did not uphold the complaint. She was satisfied that Barclays had applied the ERC fairly and in line with the information in the mortgage offer and its policies.

Miss H disagrees with this, so the case has come to me to make a decision. Miss H's father believes it is unfair for Barclays to charge the ERC. He says that he would not have paid the mortgage five days early and would have waited if he had known they would be charged an extra £500.

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.

Having looked at the evidence I agree with the Investigator's view for broadly the same reasons and I've explained my reasons further below.

I've looked at the mortgage information sheet provided to Miss H by Barclays on 14 September 2021 and the mortgage offer provided on 22 September 2021. These both set out that the product was an interest only fixed rate that would apply from completion until 30 November 2023. The "*Early Repayment*" sections of both the information sheet and mortgage offer set out that Miss H had the right to repay the loan early, either partially or fully. They both state "*Early repayment charges are payable on this mortgage until 30 November 2023 as follows*". There is then a table illustrating that there would be an ERC of 2% of the amount repaid until 30 November 2023. So, I'm satisfied that the offer documents made it clear that an ERC would be applied if Miss H repaid the mortgage before 30 November 2023.

I've also seen the annual mortgage statements sent to Miss H by Barclays on 11 April 2022 and 9 April 2023. Both of these state under the heading of "*Paying off your mortgage*" that "*Early repayment charges on your account will cease to apply on 30 November 2023*". So, the ERC and the date this would apply until were also reiterated after the mortgage had been taken out.

Miss H's father contacted Barclays on her behalf on 9 October 2023. I've listened to this call. Miss H's father explained that he was going to pay the mortgage off as the rates were going to rise in November. The agent asked when he was planning on paying off the mortgage and Miss H's father indicated that the correspondence had said that the mortgage would change in November so asked if Barclays wanted them to pay it off in November or should they pay it now. Miss H's father stated "*we don't want to pay any fees for paying it off early*". The agent said "*the period where there will be no fees is from the first of November onwards*" and Miss H's father said "*OK, right*". The agent said that he would request a redemption statement to come out and the furthest ahead he could do this would be 30 days so he could do this from 7 November 2023.

Miss H and her father say that they made it clear that they did not want to pay an ERC when they called before the mortgage was redeemed and that they were told that there would be no fee. Having listened to the call, I am satisfied that Barclays gave Miss H and her father the correct information in relation to the ERC and that this would not be payable from 1 November 2023. I think it follows from this that the ERC *would* be payable if the mortgage was paid off prior to 1 November 2023. So I think Barclays gave Miss H and her father enough information to meet their objective of not incurring an ERC.

I've looked at the redemption statement which was sent to Miss H following the call on 9 October 2023 and states "*The final redemption figure shown below is calculated to the date you expect to repay your mortgage in full*". The redemption figure was shown as £54,908.60 and the intended repayment date was shown as 7 November 2023. Following this, it states "*If you want to make your final mortgage payment after 30/11/2023, you'll need to ask us for a new final redemption statement*". On page 6 of the redemption statement, it set out that the amounts shown on the summary included "*an early repayment charge and mortgage exit fee if your mortgage terms include them*".

Had Miss H paid the mortgage off on the date set out in the redemption statement – 7 November 2023 – then no ERC would have been payable in line with what Miss H and her father were told on the phone. So, the redemption figure would have been correct as of that date. However, the balance was paid off earlier than the date specified in the redemption statement (and before the period from which Miss H and her father were told on the phone that there would be no ERC). Therefore, I'm satisfied that an ERC was payable at the time the balance was paid off and that this has been correctly applied by Barclays. I also can't say that Barclays has given Miss H or her father any incorrect information regarding this.

I can appreciate that Miss H may have been close to falling outside the period that the ERC was due and that the amount charged appears out of proportion to the time remaining. However, the documentation was clear about the amount of the ERC and when that would apply until, and Barclays provided the correct information when Miss H and her father enquired about paying the mortgage off. Unfortunately, what proportion of the period is remaining isn't a factor in how the ERC is calculated. Ultimately, Barclays was entitled to charge the ERC when the mortgage was redeemed and, whilst I can appreciate Miss H's frustration, that doesn't mean that it's unfair for Barclays to have charged this fee.

I know my decision will come as a disappointment to Miss H, but I can't say that Barclays has acted unfairly in applying the ERC in line with the agreement that Miss H had entered into. And therefore I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and don't require Barclays Bank UK PLC to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 8 April 2024.

Rachel Ellis
Ombudsman