

The complaint

Mr and Mrs O's complaint is about a mortgage they have with Barclays Bank UK PLC. Their concerns are three-fold:

- That Barclays refused to change their mortgage to an interest-only basis in 2021 as it didn't take an income stream into account.
- In 2023 Barclays told them that they could select and have attached to their mortgage, an interest rate product from May 2021, but it then withdrew that offer.
- They have concerns about the information that was provided, and not provided, to the Financial Ombudsman Service when they first complained to us about the change application in 2021.

What happened

In 2018 Mr and Mrs O took out a repayment mortgage with Barclays. It had a two year interest rate product attached to it. In 2020, when Mr and Mrs O were struggling with their mortgage repayments, Barclays offered to convert the mortgage to an interest-only basis for 12 months. When the interest rate product attached to the mortgage ended in 2020, a new two-year product was arranged.

When the interest-only concession ended in 2021 Mr and Mrs O asked Barclays to permanently convert the mortgage to an interest-only basis. Barclays told them they didn't fulfil its income criteria to do so. Mr and Mrs O complained that Barclays hadn't taken account of all of their income when assessing the application. Barclays responded to the complaint, but Mr and Mrs O weren't satisfied with the response and referred their complaint to the Financial Ombudsman Service.

One of my Ombudsman colleagues considered that complaint. The Ombudsman was not persuaded that Barclays had acted incorrectly or unfairly when it declined Mr and Mrs O's application.

Following receipt of a data subject access request (DSAR) at the beginning of 2023, Mr and Mrs O raised concerns with Barclays that dividend income Mrs O had told Barclays about in a telephone call of 19 May 2021 should have been taken into account, but was not, when their change application had been assessed. They said they thought if that income had been included in the assessment, it would have made a difference to the outcome. They also had concern that the call had not been provided to the Financial Ombudsman Service when we considered the earlier complaint.

When this matter was discussed with Barclays, it said that in the circumstances, it would allow Mr and Mrs O to select an interest rate product from May 2021 to compensate them for the error that occurred in relation to the change application, and that any product fee would be waived. Mr and Mrs O selected a ten-year fixed interest rate product of 1.99% to be attached to their mortgage. Barclays then reassessed the complaint and concluded that the content of the call would have made no difference to the situation in May 2021 and withdrew the offer. A complaint was raised by Mr and Mrs O about the offer being withdrawn.

Barclays responded to the complaint on 4 August 2023 – it again said that its decision on affordability had been made based on the documentary evidence of income that it had been given. While there had been mention of a further income stream in the telephone call, its existence had not been backed up with documentary evidence in the form of a tax return for Mrs O, and so it could not be taken into account when the affordability assessment had been completed. As that was the case, Barclays didn't think that provision of the telephone call to this Service would have made any difference to the Ombudsman's decision in 2022. However, Barclays offered compensation of £700 in total for its handling of matters after Mr and Mrs O went back to it following receipt of the DSAR information.

Mr and Mrs O remained dissatisfied and went back to Barclays. It responded in a letter of 20 September 2023. It confirmed again that when it told Mr and Mrs O that their application couldn't progress because they didn't meet the income requirements, Mrs O had not provided it with her tax assessment documents and so the dividend income they believed had been missed out of the assessment could not have been taken into account. Barclays also commented further on the matters following receipt of the DSAR information.

Mr and Mrs O remained dissatisfied with Barclays position and asked us to consider the complaint. We explain to Mr and Mrs O that we would not comment further on the matter of them being told they were not eligible to convert the mortgage to an interest-only basis in 2021 as we had already considered that complaint. The Investigator then went on to consider the merits of the remainder of the complaint. She didn't recommend that it be upheld. She was satisfied that the offer of redress made by Barclays had been made in error, as Mr and Mrs O wouldn't have been eligible for the interest rate they had selected, and so it didn't need to settle the complaint on that basis. The Investigator was also satisfied the compensation subsequently offered was fair and reasonable in the circumstances.

Mr and Mrs O didn't accept the Investigator's conclusions. They said the discussions with the case handler evidenced that they had met Barclays' criteria on their application in May 2021 and so would have been eligible for the interest rate product they had selected in 2023.

Mr and Mrs O didn't accept the Investigator's conclusions. They reiterated their complaint and what they thought Barclays had done wrong. In addition, they set out a commentary of the discussions they'd had in 2023 with various members of Barclays' staff. They highlighted that they had been told by Barclays that if Mrs O's split of the dividends from Mr O's company had been taken into account in 2021 the change to interest-only would have been agreed, as it recently had been.

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 set out in my decision of 6 August 2024, I will not be commenting on Mr and Mrs O's complaint about Barclays' decision not to convert their mortgage in 2021. This decision relates to their concerns about their other two complaint points detailed above.

I have considered the offer that Barclays made Mr and Mrs O in 2023. It offered to allow them to attach an interest rate product to their mortgage that would have been available in May 2021 when their change application was declined. Barclays has said this offer was made in error and I accept that is the case.

Firstly, for the offer of an interest rate product from May 2021 to be appropriate redress, Barclays would firstly have needed to have made an error at that time. That error would then have needed to have deprived Mr and Mrs O from being able to attach a new interest rate

product to their mortgage. As my Ombudsman colleague determined in 2022, Barclays didn't make a mistake in its assessment of Mr and Mrs O's application, based on the information it had at the time. So Barclays did not make an error in that respect that it needed to arrange redress for. Furthermore, even had Barclays incorrectly rejected the application made in 2021, the redress would have related to the repayment basis of the mortgage, not the interest rate being paid.

Mr and Mrs O had attached a new two-year interest rate product to their mortgage in November 2020. So even they would not have been due to change their product again until 2022. As such, even had Barclays made a mistake with the 2021 application, correct redress would not have been for Mr and Mrs O to be offered a new interest rate product as at that date.

As it is clear that the offer made by Barclays in July 2023 was made in error, I don't think it was unreasonable for the offer to be withdrawn. However, in making the offer Barclays raised Mr and Mrs O's expectations. The mistake also extended and complicated the process of Mr and Mrs O getting an answer to their concerns. They should be compensated for the upset and disappointment this caused them. I will comment again on this issue later in the decision.

Mr and Mrs O have said that the income information provided to this Service when their complaint was initially considered was not that which they gave it and that no-one at Barclays has been able to explain where the data was obtained. In relation to the second part of this issue, Barclays has answered this question – it was stored outside the mortgage application system on a drive at Barclays the mortgage adviser used. As for the validity of the documentation, Mr and Mrs O have provided no evidence the payslips, tax documentation and accounts provided to us were not those they provided to Barclays during the application.

Had my Ombudsman colleague been concerned about these documents, that would have been reflected in the weight she placed on them during their consideration of the previous complaint. I also note that the ICO has accepted that the income data provided by Mr and Mrs O in 2021 was not deleted in line with Barclays' data retention period, as it should have been. This would support the information Mr and Mrs O had given Barclays when they made their application in 2021 had not been deleted and was that which Barclays provided to this Service.

That said, Barclays has apologised for not being able to provide a copy of the 19 May 2021 call recording to this Service when the complaint was originally referred to us. Given it has accepted that a mistake was made, there is no need for me to comment on whether an error was made.

I have considered what compensation would be reasonable in this case. It is clear that Mr and Mrs O were very upset about the withdrawal of the offer in 2023 and the issues with Barclays' records. Barclays has offered a total of £700 and, while I know that Mr and Mrs O will not agree, I am satisfied this sum is appropriate and proportionate in the circumstances.

My final decision

My decision is that the offer of £700 Barclays Bank UK PLC has made to settle the complaint is fair in all the circumstances. As such, my final decision is that Barclays Bank UK PLC should pay Mr and Mrs O £700 in full and final settlement of the complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs O to accept or reject my decision before 6 September 2024.

Derry Baxter
Ombudsman