

The complaint

Mr B complains that Barclays Bank UK PLC unfairly applied an early repayment charge (ERC) when he repaid his mortgage. Mr B asks that Barclays refunds the ERC and pays compensation for the additional emotional stress caused during an already difficult time.

What happened

Mr B had a joint mortgage with his late wife. Mr B's wife died in mid-2022 and Mr B decided to sell the house.

Mr B received an acceptable offer in mid-2023. Unfortunately, the sale fell through. A new buyer made an offer and the sale completed in mid-February 2024.

Barclays' policy at the time was not to ask for an ERC to be paid if a mortgage is redeemed within 18 months of the death of a joint account holder. Mr B's solicitor had asked for a redemption statement in mid-2023 and this hadn't included an ERC. However, Mr B's sale completed more than 18 months after his wife – the joint account holder – had died. Barclays applied an ERC.

Mr B says he didn't know until his solicitor asked for a redemption statement in January 2024 that he'd have to pay an ERC. He'd decided to spend Christmas with his family in the house before it was sold. Mr B says he'd have completed the sale within the 18-month period or started a porting application, had he known about Barclays policy and that an ERC would otherwise apply.

Our investigator said Barclays didn't have to inform customers about its policies, such as waiving an ERC following a bereavement. She said Mr B didn't contact Barclays about his plans to sell the property or about porting until January 2024. This was outside the 18-month period for the ERC to be waived and too late for a porting application to complete before the sale. Barclays didn't have an opportunity to discuss this with Mr B earlier.

Our investigator said Barclays should pay compensation of £100 for the upset caused to Mr B when it sent a letter addressed to Mr B's late wife in early 2024.

Mr B didn't agree. He asked that Barclays port the mortgage product, refund the ERC and pay the £100 compensation.

Barclays said if Mr B applied for a mortgage it would submit an internal request to port the mortgage product outside its usual timescales. It said there was no guarantee this would be agreed. Barclays and Mr B agreed to take this forward with Mr B meeting with a mortgage adviser.

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 B took out a new interest rate product in 2020. This included an ERC which applied

during the product term (until late 2027). This was set out in the product offer and Mr B agreed to this when he took out the product.

The sale of Mr B's property completed in mid-February 2024. Barclays applied the ERC, as it was entitled to do under the mortgage terms and conditions.

Barclays' policy is not to ask for the ERC to be paid if a mortgage is redeemed within 18 months of the death of a joint account holder. However, the sale of Mr B's property completed more than 18 months after his wife, the joint account holder, had died.

Mr B had decided to spend Christmas with his family in the house before it was sold. He says he'd have completed the sale within the 18-month period or started a porting application, had he known about Barclays policy. He also said he wasn't aware an ERC might be payable.

I'm very sorry for Mr B's bereavement and the events that led to this complaint. But my role here is to decide if Barclays made an error or treated Mr B unfairly.

If Mr B had asked Barclays about the sale of the property, the ERC or porting, I'd expect it to give him clear and correct information. But there's no requirement for Barclays to pro-actively contact customers to inform them about its internal policies.

Mr B contacted Barclays in December 2022, to inform it about his wife's death. He didn't contact Barclays again until January 2024.

In mid-2023, at the request of Mr B's solicitor, Barclays issued an illustrative redemption statement which was based on a repayment date of 20 June 2023. Barclays didn't include the ERC on the illustrative statement. Had the mortgage been repaid at that time, Barclays wouldn't have applied the ERC. So I don't think this was an error by Barclays. The illustrative statement said that the amount required to repay the mortgage was likely to differ and a redemption statement should be requested.

Barclays issued redemption statements in January 2024 for a redemption date of 9 February 2024 and 12 February 2024. These both included the ERC. As the proposed redemption dates were outside the 18-month period, I think this was correct.

This left Mr B in a difficult position. He'd missed the chance to sell the property within the 18-month period when the ERC would have been waived. There was only about one month until completion. Mr B says he was told a porting application would take longer than this.

Mr B says Barclays should have offered a non-status (or self-certified) mortgage without a valuation or proof of income. He says this could have been in place in time for completion. Since 2014 rules on mortgage regulation require lenders to carry out affordability checks before agreeing to offer or vary a mortgage. Mr B was asking Barclays to offer a mortgage and port the product to it, and so Barclays had to carry out an affordability assessment. Mr B's new property would be security for the loan. Lenders usually ask for a property valuation to help them make a lending decision. I don't think it would be fair to find that Barclays should have proceeded outside its usual application process and without regard to the regulations, and without the benefit of a valuation in order to offer a mortgage within Mr B's timescales.

I'm sorry that Mr B was unable to manage his sale and purchase so that he didn't incur an ERC. But I don't think this was due to an error by Barclays. Mr B didn't contact Barclays to discuss the sale of the property. Barclays didn't have an opportunity to discuss the ERC or a porting application with him until it was too late.

Mr B says he didn't contact Barclays because he wasn't aware of any ERC. I don't think it's fair to say that Barclays didn't tell Mr B about the ERC. The amount of the ERC and when it applied was set out in the product offer which Mr B accepted. The amount of the ERC and when it applied was also set out in the annual mortgage statements sent to Mr B in October 2022 and October 2023. If the illustrative redemption statement issued to Mr B's solicitor (which didn't include an ERC) had caused any confusion, Mr B could have called Barclays and asked for an explanation.

In the circumstances, I don't think it's fair and reasonable to require Barclays to waive the ERC. Barclays said it would consider whether to allow a porting application from Mr B outside its usual timescales. I think that's fair. I don't think it's fair and reasonable to require it to do more than this.

Barclays sent a letter addressed to Mr B's late wife in February 2024. This was an upsetting error and I think it's right that Barclays pays compensation. I think £100 is fair and reasonable in the circumstances.

My final decision

My decision is that Barclays Bank UK PLC should pay £100 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 August 2024.

Ruth Stevenson
Ombudsman