

The complaint

I, a limited company, complains Barclay Bank UK PLC won't change the interest rate on I's commercial mortgage. I says the nature of the business and the usage of the property have changed, so this is now a residential property, and I wants a lower rate residential mortgage.

Mr P brings this complaint to our service on behalf of I.

What happened

I has a commercial mortgage with Barclays, secured on its business premises. Mr P said that he had seen information that Barclays was reducing interest rates across the board, so he said he asked Barclays to reduce I's rate, but Barclays wouldn't. Mr P said he was having financial difficulties because of the rate Barclays was charging.

Mr P said the nature of I's business had changed, and he thought that now the premises was used for residential purposes, he should be able to get a lower interest rate.

Barclays said I's commercial mortgage was on a variable rate, which was set by reference to Barclays' base rate. It said I took this lending out some years ago, but Barclays wanted to stress that the commercial mortgage I had, was based on the business arrangements which were in place when the lending was agreed. Barclays said if the nature of I's business had now changed, then it would need to reassess its lending to I, and perhaps set this up on a different basis.

Barclays said it would be happy to talk to Mr P about changing the rate on I's existing borrowing, or if I's business has changed, then it could talk to Mr P about setting up new borrowing on a different basis. But Barclays said it had already offered this to Mr P, and he didn't want to do that. He just wanted Barclays to reduce the existing rate. And Barclays said it couldn't just reduce the interest rate for I, outside of the agreement that it had previously reached with I. Barclays said that in the same way, it isn't allowed to just raise I's interest rate outside of the terms of that agreement.

Our investigator didn't think this complaint should be upheld. He set out in detail the basis on which Barclays made this lending to I, and the business arrangements then in place which supported that lending. I won't set that out here. Our investigator also said if this business had changed, then Barclays would need to reassess its lending to I. Or if things hadn't changed, Barclays may still be able to fix the interest rate for I, but it would need to talk to Mr P about I's financial position first. Our investigator said he didn't think it was unfair for Barclays to say, in these circumstances, that it couldn't just change I's interest rate for Mr P

Barclays accepted this view, but Mr P didn't. He said I is now running a different sort of business, and Barclays must allow a fixed rate to be applied to I's borrowing.

But our investigator didn't change his mind. He said commercial loans and mortgages are different from residential or buy-to-let mortgages and would have different rules and terms

and conditions. He didn't think Barclays had made a mistake in saying it would need to review I's lending, before it could fix a rate.

Mr P disagreed again, he said these were still commercial premises. Mr P wanted this complaint to be considered by an ombudsman, so the case was passed to me for a final decision.

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.

I've reached the same overall conclusion on this complaint as our investigator.

I've seen the basis on which this lending was originally made to I, and the conditions that were applied to that lending. It does seem to me that this lending was conditional on the business run from these premises (the premises which provided security for the lending) remaining the same.

Mr P has told us very clearly that I's business has changed. On that basis alone, I don't think it would be fair and reasonable for me to tell Barclays to simply agree a new rate on I's existing lending. I don't think it's unreasonable or unfair for Barclays to say that if I's business has changed, it would like to review the lending it is making to I, and that is likely to include obtaining up to date information about I's financial position. For those reasons, I don't think Barclays has to simply fix I's existing lending at a lower rate now.

I would encourage Mr P to discuss this further with Barclays. I know that Mr P will be disappointed by my decision, but I don't think I's complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask I to accept or reject my decision before 26 September 2024.

Esther Absalom-Gough

Ombudsman