

The complaint

Ms G complains that Barclays Bank UK PLC hasn't treated her fairly while she has experienced financial difficulty with her mortgage. In particular, she's unhappy with the interest rate on the mortgage and says Barclays has failed to support her appropriately.

What happened

Ms G and her husband, Mr G, have a joint offset mortgage with Barclays. I understand that Ms G and Mr G are in the process of divorcing. Ms G has brought this complaint without Mr G's involvement.

Since 2018 the mortgage has been on an interest rate which tracks Bank of England base rate plus a margin. The margin increased in 2020 and the interest rate has increased significantly since 2022 in line with base rate changes. Ms G complains that the interest rate on the mortgage has been too high since 2020, because it rose from less than 2% in 2019 to more than 7% in 2023.

Ms G also complains that Barclays hasn't done enough to support her with the mortgage when she hasn't been able to maintain the mortgage payments, and its service has been poor. The mortgage is now in arrears of more than £140,000.

In response to Ms G's complaint, Barclays said the mortgage was operating on the agreed interest rate and Ms G couldn't apply for a new interest rate product because of the mortgage arrears. It asked Ms G to get in touch with its specialist team to discuss the arrears. It apologised for previously having given her wrong information about her eligibility for a new interest rate, and offered her £200 compensation.

Ms G asked the Financial Ombudsman Service to look into her complaint. Our Investigator said Barclays' offer of £200 was fair. He didn't recommend Barclays do or pay any more.

Ms G didn't accept that conclusion and asked for it to be reviewed. She said Barclays had agreed to reduce the mortgage interest rate but had failed to do so, and it had made her financial difficulties worse as a result. She also pointed to an earlier complaint she had made to the Financial Ombudsman Service, as a result of which the mortgage arrears were written off because Barclays had kept the mortgage on a higher interest rate than it should have been on. She still felt Barclays had failed to support her.

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.

In doing so, I've carefully considered the chronological history of the mortgage complaint Ms G has provided and what she has told us, alongside the records Barclays has provided. I've also read the 2016 adjudication Ms G has sent us, as a result of which Barclays reviewed and backdated some concessions on the mortgage. I haven't however reached the

same or similar conclusions about Barclays' more recent handling of the mortgage and its treatment of Ms G.

Ms G is in a very difficult situation – the mortgage is in substantial arrears and she isn't in a position to repay them. She has struggled to maintain the mortgage payments for a number of years, and payments have been sporadic over the last few years – often with no payments being made at all for many months. Ms G has said that she expects Barclays to write off the arrears, and while I'm sorry to have to disappoint her, I find no reasonable basis on which I can require Barclays to do that.

I'm satisfied that the mortgage interest rate has operated in line with the terms of the mortgage offer Barclays issued to Ms G and Mr G in August 2018. The rate tracks Bank of England base rate – initially plus a margin of 1.04% until 30 August 2020, and with a margin of 3.49% from 1 September 2020 for the rest of the term.

Ms G has asked Barclays for a lower interest rate. While it mistakenly told her at times that she could apply for a rate switch, that was not in fact the case. Barclays has said that it doesn't allow rate switches when a mortgage is in arrears of more than a few months, which is the case here. It's not uncommon for lenders to require that a mortgage be up-to-date before they will offer a new interest rate product. I've seen Barclays' lending criteria, and they include this requirement. I don't think this approach is unreasonable.

It's reasonable for Barclays to want to see that mortgage payments can be made sustainably before agreeing to apply a fixed interest rate product. This is because, while a fixed interest rate would usually result in lower monthly payments, it would also come with an early repayment charge if the mortgage needs to be brought to an end early – such as in circumstances where the mortgage is no longer affordable and Barclays repossesses the property. So a fixed interest rate which a borrower can't maintain can cost more in the end.

Given the payment history and arrears on Ms G's and Mr G's mortgage, I don't think I can fairly conclude that Barclays should have agreed a new interest rate product in 2020 as Ms G argues. The arrears balance on the October 2019 statement was just under £20,000, and none of the contractual monthly payments had been made in full in the preceding 12 months. The interest rate in that period had remained the same at 1.79%. The arrears position then worsened in 2020. While the interest rate since September 2020 has been higher than that, the fact that Ms G and Mr G weren't able to maintain the monthly payments even when the interest rate was 1.79% suggests that reducing the interest rate back to a lower level wouldn't have been enough to make the mortgage affordable for them.

There are other ways in which lenders can support borrowers who are in financial difficulty, besides adjusting the mortgage interest rate. Appropriate forbearance measures might for example include accepting reduced payments for a time, changing the payment basis of the mortgage, and extending the mortgage term. What is appropriate will depend on the borrower's particular circumstances, but solutions should help make the mortgage viable and sustainable.

For a lender to try to help find a solution and review whether any concessions are suitable, there generally needs to be a dialogue between lender and borrower. I've looked carefully at what both Ms G and Barclays have said and provided about their communication in recent years. Barclays' contact records say that it asked Ms G to provide income and expenditure details a number of times and it sent her budget planners when she said she couldn't provide the information over the phone. It sent further copies when Ms G told it she hadn't received its correspondence. It also asked Ms G to contact its specialist team to discuss the arrears, explained the repercussions of not paying the mortgage, and gave details of a free debt advice charity.

Barclays has a duty to try to help customers in financial difficulty, and the available evidence leads me to conclude that it has done that here. I think it was reasonable for it to want to understand Ms G's situation before seeing whether it could offer concessions. I also think that in the circumstances it's difficult to see what Barclays could have done to make this mortgage affordable on a sustainable basis. Forbearance measures are generally for the short term, to give the borrower time to consider their options and try to get their finances back on track. The history of Ms G's and Mr G's mortgage indicates that the payment difficulties are longer term.

For these reasons, and in all the circumstances, I don't require Barclays to make any changes or refunds to the mortgage. I can see however that giving Ms G wrong information about a rate switch raised her hopes and caused her avoidable upset and inconvenience. I think that the £200 compensation Barclays has offered her for that is fair and reasonable.

Finally, I encourage Ms G to discuss her circumstances with Barclays to see whether there is anything it can now do to help her with the mortgage and to discuss the next steps if the mortgage arrears continue.

My final decision

My final decision is that Barclays Bank UK PLC has made a fair offer to put things right. It should pay Ms G £200 compensation, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 15 January 2025.

Janet Millington
Ombudsman