DRN-5200350

Financial Ombudsman Service

The complaint

Mr A and Mrs Q complain that Barclays Bank UK PLC (Barclays) hasn't correctly compensated them for not completing a remortgage in a timely manner resulting in the loss of an agreed interest rate. They would like Barclays to pay them any financial loss they may suffer over the full term of the fixed rate they were originally offered and allow the other terms of the remortgage which were agreed.

What happened

Mr A and Mrs Q held an interest only mortgage with Barclays as well as an additional home improvement loan. In 2018 they switched their interest only loan – with a remaining term of around eight and a half months – on to a five year fixed interest rate of 1.78%. This was due to end in April 2023.

When the fixed rate ended Mr A and Mrs Q contacted Barclays to switch to a new rate for the remaining term of the loan. They said they were advised of their options – which included changing the interest rate, extending the mortgage term, and altering the terms of loan to part interest only and part repayment, and met with a bank mortgage adviser on 18 May 2023. At that time the homeowner loan had nearly three years remaining with an outstanding balance of £112,478 on an interest rate of 5.45%. The principal loan was for £714,094 on a rate of 7.99% with just over three years remaining.

Mr A says he provided all the documentation required by the adviser but was subsequently asked to provide further information. In the meeting Mr A and Mrs Q say they were advised they could borrow a lesser amount than currently owed (they had to fund the shortfall themselves) and could switch to one repayment loan over 10 years on a five year fixed rate of 4.97%. Mr A says he expected the application to be submitted during that meeting, but instead a further appointment was arranged.

At the subsequent meeting no application was submitted and then because the adviser was due to go on holiday, Mr A and Mrs Q decided to meet with a different adviser. She submitted an application for Mr A and Mrs Q, but because of rises in the Bank of England base rate the fixed rate they were offered was 5.27%.

Mr A says that, because of delays with the conveyancer Barclays appointed, his existing monthly payments rose significantly, and he decided to go online and switch his interest rate – on both accounts – to a two year tracker rate of 5.39% - which was the best available to them at that time.

Mr A and Mrs Q then complained making the following points:

- When they first approached Barclays, they should have been advised of the online process to simply switch interest rates rather than remortgaging and changing the terms of their loans.
- All subsequent conversations were only about remortgaging. Their understanding was this should have been a straightforward process involving minimal paperwork and delays.

- The mortgage adviser they met with was inexperienced and failed to address their needs. He was also unavailable when an application was urgently required.
- They are now paying a higher interest rate than what was first offered to them in May 2023.
- The conveyancer added to the frustration of their mortgage experience, especially when they were told the legal process might take up to three months to complete.
- As a result of the potential delay they felt they had to go online and switch interest rates (not remortgaging) simply to reduce their monthly payments. This new rate is higher than what was offered to them in May 2023.

Barclays upheld Mr A and Mrs Q's complaint. It said they had received poor service and had been disadvantaged in not receiving the fixed interest rate that was available in May 2023. It calculated the potential loss in monthly payments between the rate they accepted in August, against the rate they ought to have been given in May 2023 and paid this as redress of around £3,242. Barclays also offered compensation of £450 for the distress its service caused over the matter.

Mr A and Mrs Q wanted the redress to be determined over the whole of the term the original interest rate offered to them had been for, so they brought their complaint to us where of our investigators looked into the matter. She didn't think the complaint should be upheld making the following points in support of her assessment.

- In the first call Mr A made to Barclays he explained that he wanted to make several changes to his mortgage account such as changing the term, switching to part repayment and part interest only, and switching to a new interest rate. So she thought Barclays was right to direct him to a mortgage adviser and would most likely have told him he could carry out a simple change of interest rate online – without the need for advice – if he'd requested that.
- A complaint against the solicitors and the delays it caused has been made separately, but she thought she should address the issue of whether Barclays had raised Mr A and Mrs Q's expectations of the service they should have received from the solicitors. She thought Barclays offer of £450 for this raising of expectations – along with its poor service and other delays – was a fair reasonable offer.
- But she thought Barclays offer of redress, which was to pay Mr A and Mrs Q the difference between the rate they could have secured at the first meeting with the adviser against that which they later accepted in August 2023 – but only for the term of the rate they accepted – put them into the position they would have been and was therefore in line with our guidelines.

Mr A and Mrs Q didn't agree. They said that because of Barclays actions and delays, they had lost the opportunity to extend the mortgage term to 10 years and are paying a higher rate over two years than was originally available to them over five years (at a fixed rate). They also said they had to pay higher contractual payments while the loan was on a standard variable rate from May to August 2023.

They thought they should be compensated for what had been set out to them in the first meeting with Barclays against what they will have to pay over the remaining term, especially as they thought Barclays had accepted full responsibility for the problems that had occurred and resulted in the loss of the opportunity to remortgage. They also said that this was the first time they'd been made aware of Barclays' offer of compensation.

The investigator said her expectation of the lender was that it should perform due diligence when arranging a mortgage application, but she accepted some of the documentation requirements didn't appear to be necessary in this case and thought the compensation offered reflected this apparent failing within Barclays' underwriting process. She also confirmed that Barclays' offer of redress did, in her view, compensate Mr A and Mrs Q for the difference in interest rates for two years – so she didn't think they had suffered a financial loss.

Mr A and Mrs Q didn't agree and wanted their complaint to be referred to an ombudsman – so it was passed to me to review.

The provisional decision

I issued a provisional decision on 22 November 2024. I made the following points to support reaching a different outcome to the investigator.

- Barclays upheld Mr A and Mrs Q's complaint due to an "*error at its end"* and offered redress between the interest rate that was available to Mr A and Mrs Q in May 2023 against the rate they eventually secured – but for the two year period of their deal. So I looked at whether the offer of redress was fair and reasonable.
- Because Mr A and Mrs Q wanted to make changes to the term of their mortgage a simple change of interest rates online wasn't possible. It was correct that Barclays completed the process of affordability and made an appointment with a mortgage adviser.
- But the adviser failed to submit a remortgage application across two separate meetings and when another adviser did submit an application the interest rate had risen. I'd seen no evidence to support the idea an application couldn't have been submitted during the first meeting.
- An application could have been submitted and the underwriting process started while Mr A and Mrs Q provided any outstanding bits of information that were required. But in any case, much of the extra information seemed duplicitous or unnecessary and the second application was submitted using Mr A's employed income alone which meant the extra documentation wasn't ultimately required.
- However, Barclays' offer of redress was based on Mr A and Mrs Q being given the initial five year rate quoted to them in May 2023 – which would suggest Barclays also thought an application could have been submitted at that point.
- I thought an application submitted in May 2023 would have led to a mortgage offer being issued along the lines of the one issued in June 2023 – but with a five year interest rate of 4.97% instead. So I decided that Barclays should rework Mr A and Mrs Q's mortgage account to reflect the position three months after an application should have been submitted. I said it should also compare the contractual monthly payments of what Mr A and Mrs Q had paid against what they would have paid up to the date of any final decision and pay any loss to them with the addition of 8% simple interest. Any redress already paid by Barclays could be offset against any financial loss rising from the calculation I'd set out.
- The £450 compensation Barclays offered was fair and reasonable in respect of the impact the matter had on Mr A and Mrs Q.

Responses to the provisional decision

Mr A and Mrs Q accepted the provisional decision but, after querying how the redress could be calculated, Barclays didn't accept it. It made the following points:

- Mr A and Mrs Q could have completed a simple online rate switch in May 2023 but couldn't have extended the term of the mortgage – which they wanted to do – without going through a remortgage application with an adviser.

- An adviser can't submit an application unless all the required documentation is reviewed and added to the application upon submission. In this case Mr A and Mrs Q were aware of that and didn't present the information at the meetings.
- Mr A and Mrs Q didn't proceed with the application. Passing the affordability checks doesn't ensure an application will be approved as it is subject to underwriting checks.
- If Mr A and Mrs Q are now to be given the five year fixed rate they will need to apply for the term extension which will need to be underwritten and approved. This is supported by Barclays' relevant terms and conditions.
- There is currently one year and nine months left on the mortgage term and Mr A and Mrs Q have been compensated for not being able to obtain the fixed rate available to them in May 2023 through an online rate switch.

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.

And having done so I see no reason to depart from my provisional findings. I think Barclays needs to rework Mr A and Mrs Q's mortgage account to reflect the position they would now be in had the mortgage terms that were available to them in May 2023 been offered following submission of an application around that time. I'll reiterate my reasons for my decision below.

Mr A spoke with Barclays twice in early May 2023 to discuss his mortgage. I've listened to the calls and, although his main concern was about his contractual monthly payments and interest rates, he did express a desire to extend the term of his mortgage and switch to a part repayment and part interest only arrangement. So I think Barclays was right to arrange a meeting with a mortgage adviser because it wouldn't have been possible to make those alterations online during the process of switching to a new interest rate.

Mr A and Mrs Q had passed a mortgage affordability check before the first meeting with the adviser and during that meeting were advised that they could remortgage their existing two loans to a 10 year repayment loan on a five year fixed rate of 4.97%. As they had been advised during the affordability check that the next part of the process was the submission of an application completed by the adviser, I think they would have assumed that would have been the outcome of the first meeting.

However, the adviser said that Mr A and Mrs Q didn't provide the additional information required and so was unable to submit an application over the two meetings. As he was then unavailable for some time Mr A and Mrs Q sought the help of an adviser previously known to them who did submit an application – but by then the fixed rate had increased.

Because the conveyancing process appeared excessively long to Mr A, and because he was concerned about his spiralling monthly mortgage payments, he decided to carry out a simple online rate switch to reduce the payments.

Following Mr A and Mrs Q's complaint about the poor service they'd received, Barclays reimbursed them for the difference between the original rate they could have secured in

May 2023 and the new deal Mr A had secured – but for its two year term. However, in its response to my provisional decision Barclays has now suggested that it didn't offer redress for the non-submission of an application by the adviser but for the fact that Mr A and Mrs Q could have secured a rate switch themselves in May 2023 to the five year fixed rate. It said the adviser couldn't submit an application that was lacking additional information required by the underwriters – so he hadn't done anything wrong. It also noted Mr A and Mrs Q didn't take up the mortgage offer that was issued to them in June 2023 at the higher rate, but which did include the extension to the mortgage term and the other alterations.

What I think should have happened?

Barclays is right to say that Mr A and Mrs Q needed to seek mortgage advice in order to explore their objective of altering the terms of the loan. That was because the changes required a remortgage application – including an affordability check – to ensure they met the lending requirements. So it wouldn't have been possible to make those changes at the same time as effecting an online rate switch.

But that rate was also available to Mr A and Mrs Q during the first meeting with the adviser when their expectation was that an application would be submitted to apply for the term extension and consolidation into one loan as well as securing the five year fixed rate. And based on the evidence I've seen I see no reason why an application couldn't have been submitted pending the information that was still outstanding. This would have secured the fixed rate and allowed the underwriters to then complete their process in determining whether the loan was acceptable to Barclays and how much could be borrowed. I note that the offer which followed the application that was submitted was for less than Mr A and Mrs Q initially requested, but they were happy to accept the lower amount making up the shortfall themselves.

And looking at the application that was made, the loan that was offered was based solely on Mr A's employed income which would support the claim that the information requests that were made before the first meeting about Mr A's self-employment were neither required nor relevant. Mr A has told us that some of the information he was asked to provide was actually unobtainable and has provided evidence to confirm this. It would seem reasonable to me that an application could have been submitted during the first meeting to get the remortgage process underway. An offer would only have been issued if the underwriters were happy with the information that was provided or on sight of additional information they decided they needed – so there was no risk to Barclays of lending to Mr A and Mrs Q outside of its criteria or affordability requirements. Indeed Mr A and Mrs Q had already "passed" an affordability check, although I accept this wasn't a guarantee of a loan.

So I think an application ought to have been submitted during the first meeting in May 2023 and following the outcome of what did actually happen when an application was subsequently submitted and an offer produced, I think Mr A and Mrs Q would have been made an offer along the same lines but with a fixed interest rate of 4.79%.

Putting things right

In order to now put Mr A and Mrs Q into the position that they ought to be, I've decided Barclays should simply rework their mortgage account to reflect the terms of an offer it could have made in May 2023 – which would have been in line with the offer it did make in June 2023 except for the inclusion of the 4.79% five year fixed interest rate. Namely a 10 year repayment loan for the amount that was offered in June 2023.

Barclays has said that if Mr A and Mrs Q are to have their current mortgage term extended they will need to go through an application and underwriting process to ensure it remains affordable and within its lending criteria. But I think Mr A and Mrs Q already satisfied that requirement at the time of their application and, as my decision is that Barclays should rework the account to reflect the offer they should have received in May 2023, then I don't think it's fair to ask them to reapply. This is simply a question of putting Mr A and Mrs Q's mortgage account in line with the offer they would have received in May 2023.

Barclays also said it would be difficult to calculate the position Mr A and Mrs Q would be in after their current two year deal finishes. But if their account is reworked as I've set out above, assuming they don't pay it off within the five years of the original fixed rate deal, then Mr A and Mrs Q will have to renegotiate a new deal at the end of the five years – as they would have had to anyway – in line with what's available at the time.

I've also have to consider when I think the remortgage would have been in place, as part of Mr A and Mrs Q's complaint was about the extended period that the conveyancers told them it would take to complete the remortgage. But I think that when Mr A and Mrs Q would have accepted the offer in May 2023 they would have been faced with using the same conveyancers and most likely the same potential completion time as they were told about when the second application was made – and I can't fairly say that was Barclays' responsibility.

So I've decided that a fair and reasonable start date would be three months after the application should have been submitted on 18 May 2023. If Barclays uses this start date and reworks the mortgage account as I've set out above, then it also needs to pay Mr A and Mrs Q the difference in contractual monthly payments between what they would have paid on the correct mortgage terms from that date against what they have paid up to the date the account is reworked plus 8% simple interest on each overpayment from the date paid to the date of settlement. The new mortgage terms should then continue from that date also. The amount of redress Barclays has previously offered can be offset against this figure if it's already been paid to Mr A and Mrs Q.

Barclays has offered Mr A and Mrs Q £450 for the distress and inconvenience this matter has caused. I've thought about that offer when considering the impact this would have had on Mr A and Mrs Q at a time when their monthly payments had risen significantly, and they were trying to reduce them along with making other alterations to the mortgage terms. But overall it's within the range of what I would expect to see for such matters, and I think it's fair and reasonable. So I think Barclays should pay that amount if it hasn't already done so.

My final decision

For the reasons that I've given I uphold Mr A and Mrs Q's complaint against Barclays Bank UK PLC. It should put things right in the way that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs Q to accept or reject my decision before 13 March 2025.

Keith Lawrence
Ombudsman