

The complaint

Mr and Mrs W complain that Barclays Bank UK PLC unfairly charged them more than the 0.15% above Bank of England Base (BoEB) rate they agreed to as there is a delay between BoEB rate changes and rate changes to their mortgage.

What happened

In November 2023 Mr and Mrs W took a mortgage with Barclays for approximately £185,000. The mortgage was set up on a capital repayment basis with a term of 23 years. The mortgage offer dated 30 October 2023 confirms the interest chargeable on the mortgage would be 0.15% above BoEB until 31 October 2025.

The BoEB rate decreased by 0.25%, from 5.25% to 5.00% on 1 August 2024. Barclays changed the rate it applied to Mr and Mrs W's mortgage on 1 September 2024 – a reduction of 0.25%. Mr and Mrs W say their mortgage offer says Barclays will charge 0.15% above BoEB rate and it doesn't allow Barclays to charge more – as it did between 1 August 2024 and 1 September 2024. So, Mr and Mrs W complained to Barclays.

In its final response letter dated 18 September 2024 Barclays referred to a telephone conversation with Mr and Mrs W in which it upheld their complaint because of *"misinformation provided about your mortgage."* In the letter it explained it had given Mr and Mrs W incorrect information during the call. It said its *"policy states that the August 2024 BEBR changes would be applied to your mortgage account from 1 September 2024. This means you're charged daily interest at the current BEBR + 0.15%, throughout September 2024 and this will be reflected in your October 2024 payment."* Barclays' letter said it had offered £300 for the error it had acknowledged and that had been accepted by Mr and Mrs W. And it offered a further £150 to apologise for the error it made during that call.

Dissatisfied with Barclays' response, Mr and Mrs W asked us to consider their complaint. Our investigator didn't uphold their complaint. He said the terms and conditions of Mr and Mrs W's mortgage allow Barclays up to one month to change the rate it charges following a change to the BoEB rate. He said he thought that was fair as it applied to rates decreasing and rates increasing. And he said that he'd seen that other lenders follow the same principle.

Mr and Mrs W didn't agree. They said Barclays is in breach of the Mortgage Code of Business (MCOB) rules. And MCOB 6.4.11 (3) says any changes to the 0.15% margin need to be included in their mortgage offer.

As Mr and Mrs W didn't accept our investigator's view, their complaint has been passed to me to decide.

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.

To decide Mr and Mrs W's complaint, I've thought about whether Barclays' terms and conditions allow it to adjust rates following a BoEB rate change when it did in this case. And I've thought about whether it should have explained what would happen if the BoEB rate changed more clearly in its mortgage offer document.

Firstly, I'd like to make it clear that I do acknowledge Mr and Mrs W's frustration that the rate they applied for doesn't always track the BoEB rate at the margin of 0.15%, if that was what they were led to believe. It's clear from what they've shown that they've been charged more interest than they would have been, had the rate applying to their mortgage changed on the same day as the BoEB rate. Interest on their mortgage is calculated on a daily basis, so I can understand why they're unhappy with any delay in the application of a rate change.

I've considered the documentation relating to their mortgage to assess what I think they should reasonably have understood about changes to BoEB rate.

Section 6 of Barclays' mortgage terms and conditions covers "*Changes to the interest rate – Reference rate tracker mortgages*". In that section Barclays explains:

"Any variation to the interest rate as a result of a change in the reference rate will take place within one month of the announcement of such change."

For clarity the "*reference rate*" is the rate tracked by the specific mortgage deal – in this case the BoEB rate.

So, I'm persuaded that the terms and conditions of Mr and Mrs W's mortgage allowed Barclays to adjust the rate it applied up to one month after a BoEB rate change.

However, Mr and Mrs W say that should have been explicit in their mortgage offer and MCOB requires that. So, I've considered the wording of their mortgage offer dated 30 October 2023. Under a section called "*main features of the loan*", in relation to the rate applicable, the mortgage offer says:

"This is a repayment loan of £185,235.33 on a variable rate, which varies in accordance with changes to the Bank of England Base Rate."

Under a section called "*interest rate and other costs*" the mortgage offer says:

"A loan of £185,235.33 on a variable rate, which is 0.15% above the Bank of England Base Rate, currently 5.25%, to give a current rate payable of 5.40%."

Under a section called "*non-compliance with the commitments linked to the loan: consequences for the borrower*" the mortgage offer says.

"We will provide you with a booklet of terms and conditions relating to this mortgage. This will provide further information on your obligations under the contract."

Having carefully considered the mortgage offer, I haven't seen that it goes into detail about what happens in the event of a change to BoEB rate. MCOB 6.4.11 says:

"A firm must ensure that the offer document contains a prominent statement:

(3) explaining when any interest rate change on the regulated mortgage contract takes effect. This statement must be used for example, to explain cases where an annual review system is used."

I don't think MCOB 6.4.11 (3) was written specifically with tracker rate mortgages in mind – the example given within the rule suggests it wasn't. But I think it would be reasonable to conclude from the rule that a borrower should be made aware of when they can expect a rate change to take effect.

As noted above, the offer does say the mortgage terms and conditions provide further information about the borrower's obligations. And I think it's clear that the making of contractual monthly payments is a significant obligation of the borrower. So, I think it's reasonable for a borrower to conclude that changes to the amount they are required to pay each month are likely to be covered in the mortgage terms and conditions. And I've seen that is covered in the terms and conditions that applied to Mr and Mrs W's mortgage.

Barclays was not obliged to set out all the terms and conditions applicable to Mr and Mrs W's mortgage in one document. I appreciate that means Mr and Mrs W would have needed to read more than one document to fully understand the terms applicable to their mortgage. But, given that their mortgage was a substantial liability, secured on their principal asset, I think it was reasonable for Barclays to have expected that Mr and Mrs W (and its other borrowers) to read all of the information provided.

So, while I understand Mr and Mrs W's assertion that their mortgage offer is in breach of MCOB rules, I think the mortgage offer did tell them where to get more information. And I don't think their mortgage offer was misleading because it didn't go into detail about when the mortgage rate applicable to their mortgage would change following a BoEB rate change.

It's also worth mentioning here that, in essence, I think Mr and Mrs W are complaining that they were not advised properly about how their mortgage would work. Mr and Mrs W were advised by a third party – a mortgage broker – when taking out this mortgage. The third party recommended the mortgage product to Mr and Mrs W. And it would have been obliged to assess their needs before doing so. The third party would therefore have responsibility for the suitability of the mortgage product and the explanation of how it worked. That isn't to say Barclays doesn't have a responsibility to include clear information in its documentation – it does. But I think Mr and Mrs W's offer is clear and it referred Mr and Mrs W to the mortgage terms and conditions where they would have found the information they needed and could have done so with the guidance of the third party.

On balance I think Barclays did make the information about changes to its tracker rate reasonably well available to Mr and Mrs W, so I don't uphold their complaint.

My final decision

My final decision is I don't uphold Mr and Mrs W's complaint about Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 28 February 2025.

Gavin Cook
Ombudsman