

## **The complaint**

Mr B complains that Barclays Bank UK PLC has unfairly declined his proposals to get his mortgage back on track following periods of financial difficulty.

## **What happened**

Mr B has a mortgage account with Barclays, as well as a linked current account called a mortgage current account (MCA) that has a reserve facility. That facility essentially acts as an overdraft that is secured against his home. The mortgage has been on an interest rate tracking Barclays' base rate since 2012, and the balance owed on the MCA has always attracted interest at the standard variable rate (SVR). Mr B is self-employed and had to take some time out of work in 2018 to support his family. The mortgage fell into arrears and the MCA reserve exceeded its limit. Mr B's business was then impacted by the global pandemic, and he's told us he's had other family challenges in recent years too.

Since the arrears accrued Mr B has had several conversations with Barclays about his circumstances and ability to get the mortgage and MCA back on track. Mr B asked Barclays to consolidate the MCA balance with the mortgage and extend the term. But Barclays declined, and as no long-term agreement was reached, Barclays started legal action to take possession of the property in 2023. Mr B complained. The mortgage balance was £77,515 including arrears of around £8,700 at the time. And the MCA had an overdrawn balance of £137,961.37. The reserve limit was £117,515.70.

Barclays didn't uphold Mr B's complaint. It said that it had been unable to consolidate the MCA balance with the mortgage because it had been deemed unaffordable based on Mr B's circumstances. It said more recently, when asked about this again, it had been unable to consider this option due to arrears on the mortgage account. It said as the mortgage had been in arrears and there was no repayment plan that had been agreed, it took legal action in relation to both the mortgage and the MCA. But it asked Mr B to contact it to discuss some other possible solutions so that Mr B could repay the arrears and avoid legal action, and it paused that legal action.

Mr B brought his complaint to our service, and the Investigator said that Barclays could have done more to explore forbearance options with Mr B, but ultimately its actions hadn't resulted in unfairness. He said Barclays should pay Mr B £175.

Mr B disagreed that was fair compensation and asked for the complaint to be passed to an Ombudsman. Barclays also disagreed with the outcome reached by the Investigator.

Whilst this complaint has been ongoing with our service, Barclays has assessed Mr B's income and expenditure again to explore whether a re-mortgage might now be affordable. But it has determined that it wouldn't be. It has also continued to offer temporary forbearance on the mortgage account and kept legal action on hold.

## **My provisional decision**

I issued a provisional decision in which I said the following.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As per the rules and guidance issued by the regulator, Barclays was required to treat Mr B fairly and reasonably whilst he was experiencing difficulties with his mortgage payments, and show appropriate forbearance based on his individual circumstances. Taking legal action should only be considered as a last resort.

I appreciate Mr B has been through some very challenging times in recent years, and he also runs his business from his home which he's understandably worried about losing and the implications of that. But having reviewed the way in which Barclays has treated Mr B, overall, I'm satisfied it has taken account of his circumstances and treated him fairly.

The first significant contact about the mortgage arrears and Mr B's ability to make his payments consistently was in November 2021. Conscious of his inability to service the growing interest on the MCA balance, Mr B asked Barclays whether he could consolidate his overdraft into a new mortgage to bring everything up to date. The notes say that the adviser checked Mr B's income and expenditure at the time and found re-structuring the debt in that way wouldn't be affordable for him. Whilst I haven't been able to see the details of that assessment, based on the fact that Mr B was quite clear in that conversation that he couldn't afford to increase his monthly payments to reduce the arrears or pay towards the MCA, I think it's unlikely this option would have been affordable for him at the time.

Re-mortgaging Mr B's total debt with Barclays into a new repayment mortgage would have allowed him to take an interest rate product on the borrowing, which he was unable to do on the MCA. Barclays doesn't offer new interest rate products on the MCA to any of its customers. The interest that was being charged on the MCA was increasing the balance month on month as Mr B was unable to pay it at the level it was.

Re-mortgaging also would have meant that the monthly payments Mr B was making each month were going towards repaying the capital. With the MCA set up in the way that it was, Mr B wasn't contractually required to make any payments towards the capital, and would have been left with a substantial balance to repay at the end of the mortgage term. Mr B had told Barclays he had a couple of options that might be available to him to repay the balance (the sale of a classic car and a second home), but neither of those would be sufficient to repay the total balance. So, if Mr B was able to afford the monthly payments under the new proposed mortgage, then this would have cleared the mortgage arrears and resolved Mr B's concerns about the escalating MCA balance.

But adding the MCA balance to the mortgage balance would have increased the monthly payments that Mr B was required to make under the existing mortgage contract. Even if Barclays extended the term to the maximum it could allow under its policies and criteria, the MCA balance was significantly higher than the mortgage balance and so the monthly repayments still would have increased overall. Especially as Mr B's mortgage account was on a tracker rate which was relatively low at that time. If Mr B was unable to pay more than the contractual monthly payment on his mortgage at the time in 2021, which had a balance lower than the outstanding amount on the MCA, I think it's unlikely the re-structure he had proposed would have been affordable for him.

However, by May 2022 Mr B's circumstances had improved, and he told Barclays he was able to pay his contractual monthly mortgage payment plus an additional amount of around £500 each month towards the arrears. He discussed his circumstances with an adviser again, and the notes suggest that based on the changes to Mr B's income, a re-mortgage and term extension of seven and a half years would have made the monthly payments affordable for him. The notes also say that Barclays couldn't agree to the changes at the time because Mr B had said he expected his circumstances to change and for work to pick up further, and so it told him to call back in three to six months to re-assess the situation.

Mr B is, and was at the relevant times, self-employed. His business's profitability has fluctuated, and that's had a direct impact on his ability to consistently maintain his mortgage payments in the past. So I don't think it was unreasonable that Barclays wanted to see evidence that Mr B would be able to consistently make higher payments towards his mortgage before committing him to the changes he'd requested. Whilst Mr B's income at the time he spoke to Barclays in May 2022 had improved, and so he'd agreed to pay more each month towards the arrears, there was no guarantee that would continue.

When Mr B called Barclays in September to discuss his situation again, it said it was unable to consider consolidating the MCA balance onto the main mortgage. It looks as though after completing another income and expenditure assessment, Mr B had a negative disposable income. No payment was made in October 2022, and then the payments were inconsistent until March 2023 when Mr B repaid the arrears in a lump sum. During this period Barclays was encouraging Mr B to seek independent financial advice and pay what he could. And after the arrears were cleared, the monthly payments were inconsistent again. Sometimes Mr B wouldn't pay anything in the month, sometimes he paid less than the contractual monthly payments, and sometimes he paid a little bit more. But overall, the arrears were increasing. In 2023, Barclays told Mr B it would be taking legal action.

Given the nature of Mr B's employment and his fluctuating income, I understand it has been difficult for him to commit to paying regular monthly amounts towards his mortgage. But even taking account of the total payments made over a period of a few years, Mr B still hasn't been able to keep up with paying everything he owed for the relevant period. And that was with the mortgage being on a relatively competitive interest rate compared to other rates that were available on the market around that time.

Mr B has been in frequent contact with Barclays and has been open and honest about his circumstances throughout. It's clear he's been trying to do all he can to keep up with his payments and has been transparent about his income and personal challenges. But despite that, this mortgage has been unaffordable for him in recent years, and that's without making any payments towards the MCA balance that is growing each month that interest continues to be charged.

Looking at the history of the account, I'm satisfied Barclays has explored options with Mr B based on his affordability, and agreed to short term holds, payment arrangements, and breathing space for him to seek independent advice. But unfortunately, his income position hasn't improved consistently enough for this mortgage to become affordable for him again. Ultimately, at the time this complaint was raised, Mr B just hadn't been able to show consistency in his payments. And any short-term concessions Barclays might have been able to agree on the interest rate charged on the MCA, still wouldn't have helped with Mr B's ability to make the mortgage payments consistently.

When Barclays told Mr B it would be taking legal action in 2023, I don't think it was in his interests to allow the situation to continue with the mortgage arrears increasing as well as the MCA balance. It allowed Mr B multiple opportunities to discuss alternative proposals that would resolve the concerns both parties had. But unfortunately, nothing sustainable could be agreed or evidenced. As such, I don't think it was unreasonable that Barclays took legal action when it did.

I understand the far-reaching impacts it would have on both Mr B's personal and professional life if Barclays was to be granted possession of Mr B's house by the courts. I would encourage him to seek independent advice about his overall circumstances if he hasn't done so already. But whilst I appreciate it will come as a disappointment to Mr B, I don't currently intend to uphold this complaint."

Barclays didn't respond to my provisional decision within the deadline set.

Mr B responded and said, in summary:

- Barclays didn't complete reasonable and proportionate checks to ensure such a large reserve limit was suitable for him.
- In September 2022 he had a face-to-face meeting with Barclays where it agreed consolidating the MCA balance and the mortgage would have been affordable for him if the term was extended. This didn't go ahead because of Barclays' policy at the time and the fact the mortgage was in arrears.
- Barclays refusing to consolidate the debt in 2022 was not in his best interests, and has just meant Barclays has been able to charge more interest on the MCA.
- There is a great deal of equity in his property, and he's sought financial advice, but he cannot re-mortgage because of the way Barclays has reported his accounts to credit reference agencies.
- He has now taken steps to sell another house he owns and his classic car in order to reduce his MCA balance. He has been responsible and tried to engage with Barclays to reach an agreement, but has been left feeling that Barclays doesn't care.

### **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.

Having considered Mr B's additional comments, my decision remains unchanged from the provisional decision I issued.

Mr B has raised concerns about Barclays agreeing to such a large MCA reserve limit that he's been able to make use of. This didn't form part of his complaint to Barclays or our service, which was about how he's been treated in financial difficulties. And so isn't something our service has considered. If Mr B would like the sale of the mortgage or MCA reserve to be investigated, he will need to complain to Barclays about that in the first instance.

I appreciate everything Mr B has said about him being pro-active and trying to resolve things with Barclays, it's clear he's been open and honest throughout and I'm sorry to hear he hasn't felt listened to or supported. But having reviewed everything again following Mr B's most recent comments, I can't agree that Barclays has treated him unfairly in all the circumstances.

The contact notes do show that Mr B had a conversation with a member of staff in a

Barclays branch in 2022, and this was then followed up with a phone call where Mr B went through his income and expenditure details with the relevant team and it was found that Mr B had a negative disposable income, and the changes he'd requested weren't affordable for him. I don't doubt Mr B's testimony about what he was told in the branch, and the member of staff Mr B spoke to may not have managed expectations very well. But I'm satisfied that the relevant team did then assess Mr B's request properly, and unfortunately found it couldn't agree due to affordability concerns. This was then evidenced in the following months when Mr B was unable to make his monthly mortgage payments, let alone contribute towards the arrears or pay towards the MCA. I don't think it would have been in Mr B's best interests to make changes to the mortgage that he wouldn't be able to afford.

I'm pleased to hear Mr B is continuing to take pro-active steps to reduce the MCA balance and has continued to engage with Barclays about his plans and the options available. Whilst Mr B is doing so, I'd expect Barclays to consider Mr B's specific circumstances when deciding on appropriate forbearance for this mortgage.

Whilst I appreciate Mr B may find it difficult to re-mortgage with another lender because of the arrears reported on his credit file, I'm not persuaded that's a result of anything Barclays has done wrong.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 March 2025.

Kathryn Billings  
**Ombudsman**