DRN-5421028

The complaint

Mr and Mrs B complain that Barclays Bank UK PLC misled them and unfairly declined to port their mortgage. They had to pay an early repayment charge (ERC) and re-mortgage at a higher interest rate.

What happened

Mr and Mrs B had a mortgage with Barclays with several fixed interest rate products. Under the terms of the products, they'd have to pay an ERC if the mortgage was repaid during the product terms. They'd avoid paying an ERC if the products were ported to a new mortgage.

Mr B called Barclays in October 2023. Mrs B joined the call part way through. Mr B said they were hoping to buy a property. He said the only way they could arrange this within the vendor's timescales was to take out a bridging loan. They had an agreement in principle for the bridging loan. Mr B said he'd called Barclays because the bridging loan lender had asked for an agreement in principle from Barclays, to demonstrate they'd be able to repay the bridging loan within 12 months.

There was a discussion about the arrangements, which I don't need to set out in full here. What's relevant here is that Mr B told Barclays that once they sold their existing property, they intended to port their Barclays' mortgage to the new property (which they would by that time already own). They'd use the funds from the sale, the ported mortgage and some additional borrowing to repay the bridge loan.

Barclays told Mr B how to complete the agreement in principle form on its website. Mr and Mrs B obtained an agreement in principle, which said they could borrow the equivalent of the mortgage balance plus another £100,000.

Mr and Mrs B went ahead with the property purchase and the bridging loan. In mid-2024 they contacted Barclays as they'd agreed to sell their property and wanted to start a porting application. Barclays declined, saying it didn't port to a property which the borrowers already owned.

Mr and Mrs B repaid the Barclays mortgage in September 2024. They paid an ERC of about £10,500 and lost the benefit of the lower interest rate products. Mr and Mrs B had to take out a mortgage elsewhere with a higher interest rate. They say they'd have arranged their finances differently if Barclays had given them correct information about its porting policy in 2023.

After the complaint came to us, Barclays agreed that it didn't tell Mr B during the call in October 2023 that it wouldn't port the mortgage to a property they already owned. It offered to refund the ERC with 8% interest. Our investigator said this was fair. He said he couldn't be sure that Barclays would have agreed to port the mortgage, as any mortgage application would be subject to affordability and other checks.

Mr and Mrs B agreed that Barclays should refund the ERCs, but said their losses are more than this. They lost the benefit of the low interest rate products they had with Barclays, which had some years left to run. They say while it’s not possible to calculate their exact loss as this depends on interest rate changes up to 2032, Barclays should offer some compensation for this.

Mr and Mrs B said if they’d been given correct information about porting they’d have applied to port in late 2023. If this wasn’t possible they’d have had to consider whether to go ahead with the purchase.

Mr and Mrs B said Barclays didn’t deal with their complaint within a time frame that would have allowed them to proceed with Barclays, once the error had been acknowledged. They said Barclays could have agreed to port the mortgage. Mr B also said Barclays’ offer didn’t reflect the stress it had caused.

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.

Although Mr and Mrs B’s mortgage was portable, this was subject to them meeting Barclays’ lending criteria at the time. Barclays’ policy is that it doesn’t port mortgages to properties that are already owned by the customer.

Barclays doesn’t have to publish its lending policies. It didn’t have to provide details to Mr and Mrs B of its criteria for porting. But it did have to give them information that was correct and enabled them to make an informed decision. The issue here is that Barclays didn’t tell Mr and Mrs B in October 2023 that it doesn’t port mortgages to properties that are already owned by the customer, despite them telling Barclays that was what they intended to do.

Barclays accepts it made an error and offered to refund the ERC. What I have to decide is whether this is fair and reasonable in the circumstances. In particular, whether Mr and Mrs B would, as they say, have arranged the financing of the property purchase differently if they’d been given correct information and would have been better off as a result.

I should explain that where information is incomplete or inconsistent, I make a decision on the balance of probabilities – that is, what I think would most likely have happened based on the available evidence.

Mr and Mrs B told us there was a lot of interest in the property they wanted to buy. They said the vendor accepted their offer on the basis they tried to complete within eight weeks. They considered their options and decided to take out a bridge loan. The bridge loan was to be secured by a first legal charge on the new property and a second charge on their existing property. Mr and Mrs B intended to repay this when they sold their existing property and ported their mortgage to the new property, with some additional borrowing.

Mr and Mrs B say if they’d been given correct information, they’d have applied to port the Barclays’ mortgage to the new property when they purchased it. They say they’d have taken out a bridging loan which would have been secured by a first legal charge on the existing property and a second charge on their new property.

The ERC Mr and Mrs B had to pay if they repaid the Barclays mortgage was about £10,500. Mr and Mrs B had fixed interest rate products with rates between 1.45% and 2.39%, which expired between 2027 and 2032. Mortgage interest rates in late 2023 would have been much higher than this. There was a considerable financial benefit to Mr and Mrs B in porting the Barclays’ mortgage products. So I think they would have looked into whether they could do this, if they’d been given correct information in late 2023. However, I’m not persuaded on balance that I can fairly find that they would have been able to do so.

Bridging loans are expensive, as compared to a standard mortgage. And Mr and Mrs B would have both the bridging loan and the Barclays' mortgage in place until the sale of their existing property completed. There was no defined timescale for their own property to sell – it seems they hadn't received a suitable offer. Given that Mr and Mrs B decided to go ahead on this basis, I think they must have been keen to buy this particular property.

If Mr and Mrs B wanted to port the Barclays' mortgage, this would have had to be in place as well as the bridge loan for the purchase to complete.

Mr and Mrs B agreed with the vendor an expected completion date of 10 November 2023. If they'd been given correct information on 5 October 2023, they'd have had about five weeks to complete a porting application. Mr B says they didn't have a binding commitment with the vendor to complete on that date or to use a bridging loan – the agreement was simply intended to ensure things moved along. Nonetheless, Mr and Mrs B would have had to balance the benefits of porting against the risks of losing the property if the porting application caused delays or was unsuccessful.

Even if Mr and Mrs B had decided to make a porting application in late 2023, this might not have been successful.

The property Mr and Mrs B bought was deemed acceptable security for the bridge loan and Mr and Mrs B's new mortgage. This suggests it would be acceptable security for most lenders. However, lenders do have different criteria.

Mr and Mrs B obtained an agreement in principle from Barclays in October 2023. An agreement in principle isn't an offer to lend. It's a guide as to the amount Mr and Mrs B might be able to borrow, based on the information they provided when they completed the online form.

Mr and Mrs B met with Barclays' mortgage advisor in June 2024. They say they passed initial affordability tests to borrow an additional £160,000 and an appointment was booked for a mortgage application. At the second appointment they were told they wouldn't be able to port the mortgage to a property they already owned. Barclays didn't complete affordability checks for Mr and Mrs B's application in June 2024.

Mr and Mrs B were offered a new mortgage in mid-2024 by a high street lender, most of which is on an interest only basis. Each lender has its own lending criteria, so this doesn't itself mean Mr and Mrs B would have met Barclays' affordability checks and other criteria.

If Mr and Mrs B had made a porting application in October 2023, Barclays would have assessed the application taking into account their financial commitments at that time. The application they made in mid-2024 was on the basis they'd have one property and the bridge loan would be repaid. A porting application in October 2023 would have been on the basis they'd have two properties – so their outgoings would include the costs of owning and maintaining two properties – and a bridge loan of about £900,000. While interest on the bridge loan was "rolled up" rather than paid monthly, it still had to be repaid along with the capital. Barclays says when assessing affordability, a bridging loan would be included as a credit commitment and treated like a mortgage. It sent an extract from its lending policy which supports this.

From what Mr B has said, the properties were valued at about £925,000 and £935,000, although they sold their existing property for £900,000. Given that interest was rolled up, it seems the sales proceeds of one property might not have been enough to repay the bridge loan – hence the lender requiring a second charge on the other property. There would have been some uncertainty about when the property would be sold. Barclays would have had to assess how Mr and Mrs B would repay any shortfall.

Taking all of this into account, I can't fairly find that even if Mr and Mrs B had made a porting application in October 2023, that Barclays would, on balance, had offered them a mortgage for the amount they needed.

It might have been possible for Mr and Mrs B to port their mortgage if they didn't take out the bridging loan – but that would have meant selling their existing property. They said the vendor didn't want to wait for them to sell their property.

Mr and Mrs B's only other option that I can see, would have been not to go ahead with the property purchase. They said they'd have considered this given the cost of the ERC and the loss of the preferential interest rate products.

It's difficult now to know for certain what Mr and Mrs B would have done. Mr and Mrs B didn't say that they wouldn't have gone ahead if they'd known they'd be unable to port the Barclays' mortgage, only that they'd have considered this. They would have had a difficult choice. There was a significant financial benefit to porting their mortgage. But I don't think they'd have been able to do this and buy the property they wanted within the timescales set by the vendor. It seems to me that Mr and Mrs B were prepared to go to some trouble and expense to secure the property, so this was important to them. I don't think, on balance, I can fairly find that they wouldn't have gone ahead with the purchase and the bridging loan if they'd known they wouldn't be able to port the Barclays' mortgage.

It follows that I don't think it's fair and reasonable to require Barclays to compensate Mr and Mrs B for them being unable to keep the preferential interest rates and avoid paying the ERC.

But I do think it's fair and reasonable to require Barclays to compensate Mr and Mrs B for the distress and difficulties they had to deal with as a result of Barclays' failure to give them correct information in October 2023.

There's never a guarantee that a lender will agree to port. But Barclays ought to have told Mr and Mrs B in October 2023 that they would certainly not be able to port their mortgage to a property they already owned. Mr and Mrs B planned their property purchase and finances on the basis they'd port the Barclays' mortgage at a future point. They had to re-assess their finances in mid-2024 to take account of the cost of the ERC and the higher interest rate for their new mortgage. They hadn't expected to have to apply to another lender. Barclays didn't respond to their complaint as quickly as they wanted, so that they knew what their options were before taking out a new mortgage. I can understand that Mr and Mrs B found the situation very stressful.

I think Barclays' offer to refund of the ERC – about £10,500 – with interest at 8% simple* is fair and reasonable compensation in the circumstances, for the stress and inconvenience caused by Barclays' error.

*If Barclays considers that it is required to withhold tax from this interest, it should issue a tax certificate to Mr and Mrs B if they request one.

My final decision

My decision is that Barclays Bank UK PLC should refund the early repayment charge to Mr and Mrs B (if it has not already done so), with interest at 8% simple* from the date that they paid the early repayment charge to the date of settlement.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs B and Mr B to accept or reject my decision before 21 April 2025.

Ruth Stevenson
Ombudsman