

The complaint

Mr G's complaint relates to a mortgage he has with Barclays Bank UK PLC. He believes that after his mortgage was transferred to Barclays in 2012, it has applied an incorrect rate of interest to it, and he has been overcharged.

What happened

Mr G took out his mortgage with Standard Life Bank in 1999. It was a flexible product that provided a borrowing facility of £210,200 over a term of 25 years. Mr G could draw as much of the facility as he needed and had access to the remainder as and when he required it. Mr G borrowed £200,000 in 1999 on a repayment basis. The variable interest rate that applied to the mortgage at that time was 6.35%, but a discount was applied for six months, which reduced the interest rate to 4.38%.

Around six months later Mr G borrowed a further £10,000 from the facility. In 2005 a further £3,800 was advanced to Mr G. In addition, Mr G also took out a home improvement loan linked to the mortgage in 2003, with a shorter term to 2012. The first, second and fourth advances were temporarily converted to an interest-only basis in 2012 – the concession lasted for six months.

In 2012 Standard Life Bank wrote to Mr G to tell him about the transfer of his mortgage. It explained that the mortgage would be transferred to Barclays and would become a Woolwich Openplan Flexible Mortgage. The letter said:

'First of all, we would like to reassure you that you will not have to pay any charges and your interest rate will not increase as a result of the move to Barclays. However, your interest rate may fluctuate in line with the Bank of England Base Rate (currently 0.5%) if you are on a variable rate mortgage.'

It was also confirmed that:

'If your current mortgage rate is the Standard Life Bank Standard Variable Rate, the interest rate which will apply to your mortgage will change from the Standard Life Bank Standard Variable Rate to the Woolwich Standard Variable Rate. The Woolwich Standard Variable Rate is currently lower than the Standard Life Bank Standard Variable Rate. The Woolwich Standard Variable Rate is currently 4.99%.'

Standard Life Bank's letter provided details of each of the sub-accounts – balance, repayment basis and the interest rate payable. They were also all documented as being charged interest on 'STANDARD VARIABLE RATE 90%'.

The annual statements provided by Barclays show that an interest rate of 4.99% was applied to Mr G's mortgage until the autumn of 2016, when the rate dropped in line with a drop in Bank of England Base Rate (BEBR). Thereafter, the SVR Mr G was on varied broadly in line with changes in BEBR, although sometimes Barclays delayed increasing the rate slightly, or split the increase over a couple of months.

Mr G complained to Barclays and said that while he had been told that his mortgage would be charged interest on Barclays' standard variable rate (SVR) in 2012, he was not told that Barclays had more than one SVR. Mr G also said that he believed that Barclays had applied the SVR that was most disadvantageous to him, ignoring the loan to value ratio. As such, he believed that Barclays had overcharged him and had not treated him fairly.

Barclays responded in a letter of 26 October 2023. It said that the mortgage was on a lifetime tracker product that was 3.49% above Bank of England Base Rate and had been since the different parts of the mortgage had been arranged between 1999 and 2005. Barclays went on to say that while Mr G may not have been aware of the option of adding a new product to his mortgage, a simple enquiry about his mortgage or product, would have initiated a conversation about the issue.

Mr G was not satisfied with the response he received and referred the complaint to this Service.

One of our Investigators looked into the complaint. She considered that no unfair relationship had been created, and that Barclays hadn't acted unfairly toward Mr G.

Barclays made no further comment following the Investigator issuing her conclusions about the merits of the complaint. Barclays did confirm that the SVR changed in line with BEBR with a 4.49% margin at the time of the transfer, which margin was reduced to 3.49% in 2022 when BEBR started to increase significantly.

Mr G reiterated that he had not been told when his mortgage was transferred to Barclays that it had multiple SVRs and so he had not been able to ensure that he had been put on the appropriate one. Mr G indicated that he considered he had been placed on a SVR that would apply to a mortgage with a higher loan-to-value than his represented. In addition, Mr G highlighted that the SVR he was on did not track BEBR with a 3.49% margin, as Barclays had said in its final response letter, which was evidenced in his 2020 mortgage statement.

The Investigator considered Mr G's comments, but they didn't cause her to change her conclusions. Mr G remained unhappy and maintained that Barclays had offered more than one SVR at the time his mortgage was transferred to it, and that what version of SVR was being offered was dependent on the loan-to value ratio. He did not provide any supporting evidence. Mr G asked that the complaint be referred to an Ombudsman if the Investigator did not change her opinion.

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.

As the Investigator explained, we can consider whether there was an unfair relationship between Mr G and Barclays due to the interest rate applied after the mortgage was transferred to it in 2012 in relation to the first and second advance from the outset, and in relation to the fourth advance from 2017. I can also consider the fairness of the interest rate charges themselves for the period of six years leading up to this complaint, taking into account all relevant matters even if they occurred before that period. I am, therefore, satisfied that I have jurisdiction to consider this complaint.

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

Mr G has said that he believes his mortgage was placed on an incorrect variable interest rate when it was moved to Barclays. He believes that at the time Barclays had multiple SVRs that were dependent on the loan to value of the mortgage. He has provided no evidence to support this belief and to my knowledge that was not the case. Barclays did and still does have different interest rates available to its customers, including different reversionary rates that its mortgages move on to following the end of a fixed or tracker interest rate product. The reversionary rate can be SVR, but that is often not the case. What the reversionary rate is would depend on the specific product the borrower attached to their mortgage, and those product rates will depend on the loan to value.

In 2012 Standard Life Bank told Mr G that his mortgage was being transferred to Barclays (under the Woolwich brand) and would be charged interest on Barclays SVR. So this would appear to be a like for like arrangement – the mortgage was on the first lender's SVR and was transferred to the new lender's SVR. It was also confirmed that the Barclays' SVR at that time was 4.99%, which was lower than the Standard Life Bank's SVR that was being applied to Mr G's mortgage before the transfer. I am, therefore, satisfied that Mr G wasn't caused any detriment by this, because the transfer resulted in a reduction in the interest that he was being asked to pay. At any time after that, Mr G could have asked Barclays about taking a new interest rate if he wanted to move off the SVR, but I've not seen any evidence he did so and as a result the Barclays SVR continued to apply. In the circumstances, I can't find that an unfair relationship was created between Mr G and Barclays. Indeed, it would appear that he benefited from the transfer by being charged a lower rate of interest on his mortgage.

Going on from that point, I have considered the changes to the SVR Mr G has been on for the periods that fall within our jurisdiction. The terms and conditions of the mortgage allow Barclays to vary the SVR and having looked at the changes in SVR since 2012, it generally varied in line with changes to BEBR and the wider mortgage market. As such, I am satisfied that Barclays treated Mr G fairly in relation to the interest rate it charged him.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr G to accept or reject my decision before 9 July 2025.

Derry Baxter
Ombudsman