

## **The complaint**

Miss S complains that Barclays Bank UK PLC caused delay in converting her mortgage to interest only terms. This is a joint borrower sole proprietor mortgage – it's Miss S that lives in the property and makes the payments. She brings this complaint, doing so with the consent of the joint borrower Mr A.

## **What happened**

Miss S and Mr A had a mortgage with Barclays on repayment terms. Miss S asked Barclays to switch it to interest only – Barclays agreed to a six month switch, which was due to expire in April 2024.

Around the same time, Miss S applied for a new interest rate to follow on from the expiring fixed rate, and for a longer term switch to interest only to take effect when the six month switch came to an end. She says she wanted a further year on interest only terms, and that she was told this would be a quick and easy process.

Miss S complains that it wasn't actually quick and easy at all. She had to make an application for a permanent switch to interest only. And Barclays treated this as a completely new mortgage application – requiring a full affordability assessment and credit checks, a valuation of their property, and instructing a solicitor.

This was complicated by the fact that this is a joint borrower sole proprietor mortgage – Miss S owns and lives in the property, but Mr A was added at the time of the initial application to assist with affordability.

The fact that Barclays required a full application meant that Miss S couldn't do this by herself, and needed Mr A to get involved. This involved two very lengthy application calls. And because Mr A works as a contractor rather than being employed, this complicated things further. His umbrella company provided a letter confirming his earnings, which it said was acceptable to other mortgage lenders – but Barclays said it required a P60, which wasn't yet available so close to the end of the last tax year.

Miss S and Mr A provided the P60 in mid-May – despite further chasing, they heard nothing from Barclays until the end of May, when Barclays asked for more information about their finances. Miss S and Mr A say Barclays didn't make it clear what it needed even at this point. And the adviser kept making mistakes and asking for information they'd already given. They also struggled to upload information via Barclays' portal. Miss S and Mr A say that all the information Barclays needed should have been asked for at once at the start.

Miss S and Mr A say they were contacted out of the blue by solicitors and surveyors acting for Barclays – Barclays hadn't told them the application had reached that stage or that they would be contacted. They hadn't been told that a valuation or legal work would be necessary. Barclays had wrongly told the solicitors that Mr A was going to be added to the property deeds, which added further delay. There was further delay in sending the correct form to Mr A to sign.

Due to a prior commitment, Miss S wasn't at the property when the valuation was carried out, so Mr A met the surveyor. They say that the surveyor wrongly reported that the property was being rented out, which meant it failed the valuation. Miss S and Mr A had to contest this – adding further delay. The valuer reconsidered and said the property was acceptable, but Miss S and Mr A disagree with the valuation.

Miss S said that she believed the property was worth around £675,000 to £700,000 – based on a purchase price of £514,000 in 2020, along with substantial improvements (including adding an extra bedroom) since then. Because of the reduced value, the loan to value was more than 50%, which was Barclays' maximum for interest only lending. So instead of a full conversion to interest only, the mortgage was split into part and part – with £250,000 on interest only and £115,000 on repayment terms.

Miss S said that Barclays caused further delay – it required Mr A to obtain independent legal advice and provide a form confirming he'd done so. But it kept rejecting the forms he provided.

Miss S said that as part of the application, she had secured a new interest rate in April. But it wouldn't take effect until the new mortgage started – and because of the delay, interest rates reduced in the meantime, in August 2024. But Barclays told them they couldn't switch to a lower rate without paying an early repayment charge. Miss S and Mr A say that isn't fair when the new mortgage had not yet started.

Miss S and Mr A complain that Barclays didn't act fairly in treating this as a whole new application for a new mortgage when they were existing customers wanting to make a change to their existing mortgage. The whole process took too long – meaning that Miss S had to pay the old mortgage on repayment terms in the period between the temporary switch on the old mortgage ending and the new one taking effect. And she didn't benefit from the new fixed rate during this period either. This caused financial hardship, when the whole point of making the change was to reduce the financial burden of the mortgage. And the new mortgage is now at a higher interest rate because Barclays wouldn't let them switch to a lower one in August.

The whole process caused a lot of stress, upset and wasted time – having an impact on Miss S's health and wellbeing. Miss S says that Barclays should compensate her by refunding £3,000 for the extra payments between August and November 2023, £5,000 for the extra payments between April and October 2024, and £300 per month for the higher interest rate since October. She also says it should pay £7,000 for the distress and inconvenience caused.

Barclays said it aimed to complete remortgage applications within six to eight weeks, and recognised that this one had taken longer. It accepted that was because of errors and delays. It said that it would reconsider switching the full mortgage to interest only if Miss S and Mr A could provide evidence – such as sale prices of comparable properties – of a higher value. It said that the mortgage application was for £351,400 but at completion the balance was £349,700 – the difference, less legal fees, was sent to Miss S. So there are no overpayments to refund; all payments were used to reduce the mortgage balance. It said that the new interest rate began on 1 May, and once it was in place an early repayment charge (ERC) would need to be paid to change the rate. It paid £800 compensation in respect of the delays and the distress caused.

Our investigator thought that Barclays' offer of compensation was a fair way to put things right. Miss S didn't agree and asked for an ombudsman to review her complaint. She said that didn't reflect the overpayments she had made, of over £9,000. It also didn't reflect the problems with how the application was handled, and the stress and inconvenience that

caused. It also didn't take into account that the result of the delay was that Miss S missed out on a lower interest rate – and threatening an ERC wasn't fair.

### **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.

Miss S first asked to convert the mortgage to interest only in late 2023. She took a six month switch to interest only which began in November 2023 and lasted until April 2024.

A six month switch to interest only is something provided for under the mortgage charter and allows a borrower to reduce their payments for that time – helping to reduce their outgoings and avoid the mortgage falling into arrears. It's designed to be a quick and easy process and doesn't require mortgage advice or a full detailed mortgage application, because it's a temporary measure and the mortgage switches back to repayment after six months.

Although it's a temporary measure, it's also a contractual change. The contractual monthly payment reduces for six months. Therefore the borrower is paying the full contractual amount throughout, and so there is no arrears and no impact on their credit file.

The rules only allow a single six month interest only period. If a longer period is required, there are essentially two options – a temporary interest only arrangement, or a full conversion to interest only terms.

A temporary interest only arrangement is not a contractual change. The monthly payment remains the same – with both capital and interest due – but the lender agrees that the borrower can underpay temporarily. Because it's an underpayment, even if by agreement, the mortgage goes into arrears and that can be reported to a credit file.

A full conversion to interest only terms means a permanent change to the mortgage. Under the rules set by the Financial Conduct Authority, lenders can only agree to this if the mortgage would be affordable and sustainable on the new terms. That means that a full assessment of whether the monthly payments are affordable, and of how the capital is to be repaid at the end of the term, must be carried out (with limited exceptions which don't apply here).

It's for that reason that I don't think it was unreasonable that Barclays required Miss S and Mr A to make a full mortgage application. Although Miss S says she only wanted interest only for a year, that wasn't possible – a temporary arrangement may well not have lasted that long and would have involved going into arrears. Therefore a permanent switch was required. But because that involves a fundamental change in the nature of the mortgage, and comes with the regulatory requirements I've set out above, it was necessary for Miss S and Mr A to make a new application for a new interest only mortgage to replace the old repayment mortgage. And for that reason, it was necessary to instruct solicitors to remove the old mortgage from the Land Registry record and replace it with the new one.

However, while it wasn't unreasonable that Barclays required a full application, I do think it didn't handle the application fairly. Barclays recognises that, and has paid Miss S £800 compensation. I therefore need to decide whether that was a fair offer, or whether Barclays needs to do more.

I'm not persuaded that the delays resulted in financial loss. Miss S selected a new interest rate before the new mortgage application went ahead. She selected a rate of 4.69% fixed for one year. Barclays applied this to the mortgage on 1 May 2024, and interest was charged at

that rate from then on, on both the old and new mortgages, until it expired on 30 June 2025. When the new mortgage completed in September 2024, that interest rate was carried over to the new mortgage.

So the delay in completion didn't lead to additional interest being charged; the new fixed rate was in place from 1 May onwards. That means the mortgage was subject to an ERC from that date onwards – and an ERC would apply if that interest rate was brought to an end and replaced with another. That's not an unfair term, or unfair more widely. All fixed rates come with ERCs. There's a cost to a lender in raising the funds covered by the fixed rate, and it expects to receive sufficient interest over the duration of a fixed rate to cover those costs. Ending the rate early means the lender wouldn't recover its costs, so an ERC is chargeable in those circumstances. That's how mortgages work, and it's not unfair.

Therefore the lower rates that Miss S says she saw in August were never available to her. She was already on a new fixed rate. It's not possible to switch from a fixed rate currently in place without paying an ERC. That wouldn't have changed if Barclays had completed the application to switch to interest only more quickly. She still wouldn't be able to switch from the rate that started in May to a new rate in August without paying an ERC. In those circumstances, it wouldn't be fair to require Barclays to put the August rate in place.

Miss S did pay additional capital, because the old mortgage on full repayment terms was in place for longer than it would have been had Barclays not caused delay. But I'm satisfied that Barclays has already fairly compensated her for that.

That's because the amount of the new mortgage was £351,432 – which was the balance at the time Miss S completed the application on 30 May 2024. By the time the new mortgage completed, payments she'd made in the meantime had reduced the balance to £349,730. This means that the new mortgage balance was £1,667 higher than it needed to be – and that amount was refunded to Miss S.

The refund of £1,667 is the amount of capital (but not interest) payments she made between the application in May and completion in August. It wouldn't be fair to expect Barclays to refund the interest, because that would always have been payable whenever the new mortgage completed (at the new rate which was already in place). But if it had completed sooner, Miss S wouldn't have need to make capital repayments on the old mortgage for as long. By refunding the capital repayments – but not the interest payments – she made over the application period, Barclays has put her back in the position she would have been in had the new mortgage completed straightaway. I think that's fair, and I don't think there is any financial loss beyond that.

For those reasons, I'm not persuaded that Barclays' delay resulted in any financial loss that it needs to reimburse now. It didn't result in Miss S paying more interest; the new fixed rate was in place from 1 May, and the completion date of the switch to interest only had no effect on that. And while it did result in Miss S paying more capital, that was refunded to her so there is no remaining financial loss to refund. Finally, the rate Miss S saw in August would never have been available to her whatever happened, so she was not charged more interest than she could or should have been once the new mortgage completed.

The new mortgage wasn't on fully interest only terms. It was on a part and part basis. That's because Barclays doesn't allow interest only mortgages at more than 50% loan to value where the repayment strategy is sale of the property – so it offered Miss S the maximum it could on interest only terms, with the remainder on repayment.

That happened because the valuation said the property was worth less than Miss S thought it was. This was a new mortgage, the balance of the interest only element of which

depended on loan to value, so it was reasonable for Barclays to instruct a new valuation.

The first valuation was a nil valuation not because the valuer thought the property was tenanted – they did, but the reason for the nil valuation was not that, it was because “the property is on a public sector housing estate. This has an adverse impact on demand and saleability.” In other words, the valuer thought the property might be difficult to sell and therefore wasn’t suitable security for Barclays.

The second valuation records that Barclays asked the valuer to value the property anyway – disregarding that concern because Barclays already had a mortgage over it and so wasn’t taking on a new risk. But it also records that the valuer had considered Miss S’s estimated value and thought it was too high. The valuer reached their own conclusions on what the property was worth, without taking into account the saleability concern.

I appreciate Miss S doesn’t agree with the valuation. But Barclays appointed a qualified professional surveyor, whose expertise is in valuing property. It challenged the first valuation based on the fact that it already had a charge over the property. And it said it would consider the valuation again if Miss S could provide evidence of comparable local sales to support her estimate. I think that was fair. It was reasonable for Barclays to rely on the professional opinion of a qualified surveyor when deciding the value of the property for loan to value purposes – while being willing to consider objective evidence if that might show the valuation to be too low.

I don’t therefore think that it was unreasonable that Barclays wouldn’t offer the full amount Miss S wanted on interest only terms. Based on the property’s valuation, that would exceed the maximum 50% loan to value. But rather than rejecting the application altogether, it offered the maximum on interest only, with the rest on repayment. I think that was fair. And I’m not therefore persuaded that this caused Miss S loss either. It remains open to Miss S to make a new application to convert more of the mortgage to interest only if she thinks the property has increased in value since.

However, although I’ve found there’s no financial loss, it’s clear that the way Barclays handled the application caused Miss S a great deal of upset, frustration and inconvenience. There were various problems – including poor service and delay by the adviser, repeated requests for documents, and confusion in the legal process. I’ve no doubt about how upsetting this was for Miss S, and the impact it had on her.

With that in mind, I’ve thought about whether Barclays’ offer of £800 compensation is fair. I’ve borne in mind our guidelines on compensation for distress and inconvenience.<sup>1</sup> They say that an award of up to £750 might be fair where there was “considerable distress, upset and worry – and / or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over weeks or months”. And they say that an award over £750 might be fair where there was “substantial distress, upset and worry – even potentially a serious offence or humiliation. There may have been serious disruption to daily life over a sustained period, with the impact felt over many months, sometimes over a year. It could also be fair to award in this range if the business’s actions resulted in a substantial short-term impact.”

It’s clear this situation did cause considerable distress upset and worry, and significant inconvenience. It went on for around three months, and took much extra effort compared to what it should have done. But it didn’t cause serious disruption to daily life, with a sustained impact over many months. In all the circumstances, I think Barclays’ offer of £800 is fair and

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<sup>1</sup> See <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

reasonable.

### **My final decision**

My final decision is that I'm satisfied the compensation already paid by Barclays Bank UK PLC was a fair and reasonable way to resolve this complaint. I don't require it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Miss S to accept or reject my decision before 5 November 2025.

Simon Pugh  
**Ombudsman**