

## The complaint

Mr and Mrs G are unhappy that Barclays Bank UK PLC have charged them an early repayment charge (ERC) when they wanted to redeem one of their mortgage accounts. They said they hadn't yet made a monthly payment to the mortgage as it was a new loan, and they don't believe that Barclays have acted fairly as they have been loyal customers.

## What happened

Mr and Mrs G have a mortgage with Barclays and in early 2025 they made an online switch application for their home improvement loan. They selected a Barclays EM Reward 2year fixed rate product at an interest rate of 4.60%.

Mr and Mrs G were sent a letter on 23 January 2025 confirming the product they had chosen along with what they needed to do if they wanted to proceed with their chosen interest rate. Mr and Mrs G signed the agreement on 30 January, and a mortgage offer was sent on 4 February. The new mortgage product was put in place on 1 March.

Mr G contacted Barclays on 28 March letting them know that his Individual Savings Account (ISA) had just matured and he wanted to repay the home improvement loan without incurring an ERC. The adviser informed Mr G that there would be a 2% ERC if he wanted to redeem the loan. Mr G asked if there was a way it could be waived as they had another larger mortgage with Barclays, and they had been long standing loyal customers. The adviser explained that the ERC would only be waived in the last 30 days of the product coming to its end. She also explained that Barclays have an 11-day cooling off period once the interest rate begins, where the ERC could be waived. As Mr and Mrs G's product started on 1 March, this period had expired.

Mr G asked if the new interest rate had started yet as he hadn't made any payments towards it and the adviser explained that the rate came into effect on 1 March but as Mr and Mrs G pay their mortgage in arrears, the payment collected includes interest for the month before.

Mr G raised a complaint with Barclays and mentioned the following issues:

- They were required to pay an ERC but they didn't get the benefit of the new interest rate until April 2025.
- They believe the ERC is both unfair and inconsistent with Barclays' values of fairness, transparency and customer loyalty.
- They believe that the delay between the start date of the new product and the date it was reflected in the mortgage payment created a perception that there was a transitional period where a repayment could be made without incurring an ERC.
- They said they were unhappy that Barclays didn't tell them about the cooling off period.

Barclays issued a final response letter and didn't think they had done anything wrong. So Mr and Mrs G brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. The investigator didn't uphold the complaint. She acknowledged that Barclays should have told Mr and Mrs G about the cooling off period but after considering whether it would have made a difference to Mr and Mrs G – she concluded

that it wouldn't. She said that Mr and Mrs G did an online application and that the mortgage offer was clear that an ERC would be payable if the loan was to be repaid.

Mr and Mrs G didn't agree and asked for the complaint to be reviewed by an Ombudsman, so it's 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.

Having done so, I agree with the outcome reached by the investigator, and I'll explain why.

Mr and Mrs G used the execution only process to choose a new interest rate for their mortgage. They didn't receive any advice from Barclays and decided to proceed on this basis.

We have been provided with screen shots to show what Mr and Mrs G would have seen online when applying for a new interest rate, and as part of that process, Mr and Mrs G were required to select a date that they wanted the new product to start from. Mr and Mrs G selected 1 March 2025.

A mortgage offer was sent to Mr and Mrs G on 4 February 2025 and under section 5 of the offer it said the following:

*'You will have specified a preferred start date when you submitted your application, but for the purposes of providing figures in this Offer we assume the new interest rate will start on 01 March 2025. The actual payments you will make may vary slightly, as they will be based on the mortgage balance on the date when the new interest rate is applied.'*

This also confirmed that the start date was 1 March and explained the payments that Mr and Mrs G would make could vary slightly.

Mr and Mrs G were then sent a letter dated 1 March about their revised mortgage payment which said the following:

*'The interest rate charged on [account number] has changed to 4.60% effective from 01/03/2025 until further notice.'*

Again, I think this makes it clear that the interest rate had been applied to the mortgage from 1 March.

I have looked at the mortgage offer which was sent to Mr and Mrs G on 4 February and under section seven it showed the following:

#### *"7. Early Repayment*

*You have the right to repay this loan early, either fully or partially.*

*The figures assume a start date for the mortgage of 01 March 2025.*

*Early repayment charges are payable on this mortgage until 31 March 2027 as follows.*

The offer then provided the following information showing the loan amount of £47,770.76 which had a start date of 1 March 2025 and an ERC of 2% of the amount repaid from 1 March 2025 until the 31 March 2027. It gave an ERC amount of £956. It then said:

*'A Mortgage Exit fee is payable if you repay the mortgage in full (as detailed in the Offer document issued when you originally took out the loan).*

*Should you decide to repay your mortgage, the maximum charge you could pay is £956.00 plus the Mortgage Exit fee.*

*Should you decide to repay this loan early, please contact us to ascertain the exact level of the early repayment charge at that moment'.*

I think this mortgage offer, along with the letter that Mr and Mrs G received, made it clear the interest rate was starting from 1 March. The offer also made it clear that an ERC was payable should they wish to repay the mortgage. I can't agree that Barclays have been misleading or haven't communicated this clearly. And I've also taken into account that it was Mr and Mrs G that chose the start date of 1 March.

Mr and Mrs G have said that they hadn't actually made any payments to the mortgage yet as the first payment hadn't been taken until 1 April 2025. So they thought this meant there was a transitional period where they could repay the mortgage without an ERC.

I haven't seen anything that would give Mr and Mrs G this impression. The mortgage offer and the documents that Mr and Mrs G had sight of made it clear when the start date was and the offer made it clear when an ERC would be charged.

Barclays collect payments based on interest from the previous month which meant that the direct debit for March was for Mr and Mrs G's previous interest rate. The direct debit for April was for the new one they selected to start on 1 March. This isn't unusual in how mortgage payments work and are collected so I don't agree with Mr and Mrs G here that the fact they hadn't made any payments towards the loan yet, meant they were still entitled to repay it without an ERC.

What I've gone on to consider next is whether Mr and Mrs G would have done anything different had Barclays told them about the 11-day cooling off period – as they said that this isn't documented anywhere and they were only told when Mr G called them on 28 March.

Barclays have provided us a copy of their mortgage policy which confirms that customers can amend their interest rate switch up to 11 days after the start date of the new rate. I understand that the adviser told Mr G this on the telephone on 28 March, but I do think that information like this, should be made clear to customers. In this case, it wasn't.

However, I have to bear in mind that Mr G didn't call Barclays until 28 March – which was over the 11-day cooling off period, so it was already too late by that point. Mr and Mrs G said that had they known about this cooling off period, they would have taken time to consider their options.

I have seen the emails that Mr G has sent to our investigator and Mr G has said that he had the funds available to repay the loan at the beginning of March. Our investigator asked Mr G for details surrounding this and Mr G said he had it in savings. The investigator asked Mr G for evidence of this so she could establish whether Mr and Mrs G would have in fact done something different. Mr G has decided not to provide that information but argues that he had the funds at the start of the month.

I have listened to the telephone conversation that Mr G had with the Barclays adviser on 28 March where he called to say he wanted to repay the loan. He says that his ISA has *just* matured and wanted to repay the loan without incurring an ERC. I have highlighted the word '*just*' because this persuades me that Mr and Mrs G didn't have the funds at the start of March and that their ISA had only recently matured. Mr and Mrs G had the opportunity to prove that wasn't the case but chose not to do so. So bearing this in mind, the fact they were not told about the 11-day cooling off period wouldn't have made any difference because they were always outside of that period. This means they would always have incurred the ERC to repay the loan.

I appreciate that Mr and Mrs G will be disappointed with my decision, but I am satisfied that Barclays have acted fairly and reasonably in the circumstances of this complaint in a way that we would expect them to.

**My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 25 November 2025.

Maria Drury  
**Ombudsman**