

The complaint

Mr S has complained about the service he received from Barclays Bank UK PLC when he was going through a divorce, and the fixed interest rate product on his jointly held mortgage was ending. He's said, because he couldn't get a new interest rate product without the other party's agreement, he went onto the reversionary variable rate and ended up paying more than he would have done had he been able to get a new interest rate product.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

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.

Barclays has already agreed to make an offer to Mr S so I don't need to make a finding on the underlying merits of the complaint, instead I need to decide on whether the offer of compensation it has made is fair, and if not what should be paid instead. Having considered everything very carefully I agree with our Investigator that the offer already made by Barclays is fair. I say this for the following reasons.

Under Barclays' policy for rate changes with just one borrower's consent it would only put in place a new rate that doesn't have an early repayment charge ("ERC"). That is entirely normal as, if a new product with an ERC was put in place, and then the mortgage has to be ended early, it could cause financial detriment to the borrower that didn't give their consent to the new rate as the mortgage balance would be increased by that amount. That wouldn't be fair to the other borrower.

Barclays also couldn't extend the mortgage term or change it to interest only without the other borrower's consent for the same underlying reason. If the term is extended (or the mortgage is changed to interest only), the balance reduces at a slower rate (or doesn't reduce at all) and therefore, if the mortgage has to be ended early, it could cause financial detriment to the borrower that didn't give their consent to the longer mortgage term (or change to interest only) as the mortgage balance would be higher than it would otherwise have been. That wouldn't be fair to the other borrower.

So all Mr S could do was take a new interest rate product that didn't have an ERC and keep everything else the same. That is the position Barclays has already offered to put him in. He could never have obtained one of the fixed rate products he saw online as those come with an ERC, nor could he have extended his mortgage term to reduce his monthly payments.

Even if Barclays had offered this in July 2023 then Mr S would be in the same position as the rates it is now offering are exactly the same as it offered in July 2023. To use one option as an example, it is a rate that tracks at 0.36% above the Bank of England base rate ("base rate"). The rate would have appeared lower in July 2023 because base rate was 0.25%

lower at that time, so the headline rate would have shown as 5.36% rather than 5.61%. But when base rate went up on 3 August 2023 it follows that the base rate tracker product also went up so the headline rate was now 5.61%.

Mr S' previous product didn't end until 31 August 2023, and Barclays has offered to put the new rate in place from 1 September 2023 which is the earliest it could take effect from, and its also offering to put him on the same base rate tracker that he would have obtained whether he'd applied in July 2023 or September 2023. There is no better position Mr S could have been in with Barclays unless his ex-partner consented to any changes, which Mr S told Barclays she didn't.

I understand Mr S feels £300 compensation for any distress and inconvenience caused isn't enough. He's mentioned various figures that he feels would be more appropriate, all of which were in the thousands of pounds instead. Whilst I acknowledge how hard things must have been for Mr S, going through a divorce with young children, and the added worry of these mortgage payments, I must take into account, as our Investigator explained, his mortgage payments would always have increased substantially when his fixed rate ended. That's because interest rates in general had increased substantially since he'd taken out his previous rate, with his previous rate being fixed at 1.18% and the new tracker rate Barclays could have offered being 5.61% (variable). He also couldn't have obtained a term extension or a switch to interest only for the reasons I've explained, so the figures Mr S has put forward in terms of his overpayments since September 2023 are incorrect.

I've considered everything Mr S has said on this point very carefully. Having done so, I agree with our investigator that £300 compensation is fair in all the circumstances. That recognises that this was already a difficult time for Mr S – and Barclays isn't responsible for that – and, at the times Mr S spoke to Barclays in 2023 it didn't have this policy in place so it wasn't a case that it had the policy and ignored it, it simply hadn't been introduced.

Barclays has offered to recalculate Mr S' mortgage account from 1 September 2023 until the point that account was closed in May 2025 based on one of the two rates it could have offered him at the time. Those being either base rate plus 0.36% with a £999 product fee or base rate plus 0.86% with a £99 product fee. Barclays can carry out that calculation once Mr S selects which rate he would prefer.

Putting things right

To resolve this complaint Mr S first must choose which rate he wants the calculation to be based on. The options he can choose from are:

- Bank of England base rate plus 0.36%, with a £999 product fee to be deducted from the redress; or
- Bank of England base rate plus 0.86%, with a £99 product fee to be deducted from the redress.

Once Mr S has notified Barclays of that decision, I order Barclays Bank UK PLC to:

- Rework Mr S' mortgage account as if the new rate had been in place from 1 September 2023 (rather than the reversionary rate)
- Mr S would have needed to pay the £999 or £99 fee upfront (depending on which rate he selects) so that should also be taken into account. To do so Barclays should deduct that amount from the figure it reached in the above calculation.

- Add simple annual interest of 8% running from the date of each monthly 'overpayment' to the date of refund*.
- Pay £300 compensation for the distress and inconvenience caused to Mr S.

* If Barclays deducts income tax from the 8% interest element of my award, it should tell Mr S what it has deducted so he can reclaim the tax from HMRC if he is entitled to do so.

My final decision

I uphold this complaint and order Barclays Bank UK PLC to settle it as I've set out above, once Mr S has notified it which rate he has chosen.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 April 2026.

Julia Meadows

Ombudsman