

The complaint

Mr and Mrs M complain that Barclays Bank UK PLC did not tell them about an early repayment charge (ERC) when they repaid their mortgage.

What happened

Mr and Mrs M had a mortgage with Barclays. The mortgage had a tracker rate that was 1.25% above the Bank of England base rate. An ERC applied if it was repaid before 30 September 2027. It had an offset facility – and I understand Mr and Mrs M had offset all the balance apart from just under £1,500.

Mr and Mrs M said they decided to repay the mortgage. They said they could not find information about how much they needed to repay so on 6 March 2025 Mrs M went to a Barclays branch. Mrs M said that Barclays told her that it could arrange repayment in the branch.

Mrs M said Barclays told them that she'd need to repay around £10,000 to repay the mortgage. She said she queried that but was assured it was the correct amount. She repaid the mortgage but said she did not receive a redemption statement or any breakdown while she was in the branch.

When Mr and Mrs M did not receive any final statement, they contacted Barclays and found out they had been charged an ERC of £8,492 and an exit fee of £80 when they repaid the mortgage. They complain that Barclays did not give them clear and timely information about the ERC. They said if it had done so, they would not have repaid the mortgage at that time.

The investigator did not think the complaint should be upheld. But when I looked at things I did not consider it was likely that Barclays had set out the ERC in a sufficiently clear and timely way. I thought it was unlikely that if it had done so that Mr and Mrs M would have repaid the mortgage. So I proposed that Barclays should refund the ERC with interest. I did not propose that Barclays should pay any compensation for the distress and inconvenience this matter caused Mr and Mrs M as they have saved interest by repaying the mortgage.

Barclays did not accept what I said. It responded to make a number of points, including:

- It only has the testimony of Mrs M – the member of staff that dealt with her has now left. It is “impossible” to say what exactly what was discussed.
- When Mrs M went to the branch it was clear her intention was to redeem the mortgage. It is possible she was told about the ERC and still wanted to repay the mortgage.
- The mortgage offer sets out the terms and conditions of the mortgage and gave Mr and Mrs M the opportunity to understand the features of the mortgage, including the ERC.
- A redemption statement was generated when Mrs M was in the branch at 1.59pm and it would have been available to view on the mobile banking app.

- The ERC would have been visible to the member of staff in the branch. So they would have told Mrs M about all of the charges. It was difficult to believe they would miss an ERC of £8,000 and not share that information with a customer.
- The actual payment was not made until 2.43pm – almost 45 minutes after the redemption figure was generated. There would have been discussions around the total amount to redeem the mortgage during that time.
- The ERC was set out on the annual mortgage statements sent to Mr and Mrs M.
- The member of staff who dealt with Mrs M was an excellent and trusted employee. Ultimately, it is Mrs M's word against the member of staff.

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.

It isn't in dispute that the ERC was set out in the mortgage offer and in other paperwork. Mr and Mrs M accepted the offer and that included the ERC. But I'm required to take into account the relevant rules in deciding what in my view is fair and reasonable in the individual circumstances of this complaint. That includes the Consumer Duty. Under the Duty, Barclays is required to avoid foreseeable harm. There are also specific requirements around consumer understanding that are particularly relevant here.

Barclays was required to support customers understanding so that its communications meet the information needs of its customers and equip them to make decisions that are effective, timely and properly informed. It must communicate in a way that is clear, fair and not misleading. And where Barclays was interacting on a one-to-one basis, such as in a branch, it must ask the customer whether they have understood the information and if they have any further questions, particularly if the information is reasonably regarded as key information, such as where it prompts the customer to make a decision.

Mr and Mrs M have said they were unable to access their banking app – and Barclays has not put forward any evidence to show they did access it during the relevant time. As I've said it isn't in dispute that the ERC was set out in the mortgage offer and in other paperwork. But to treat Mr and Mrs M fairly, Barclays was required to give them information that met their needs and that equipped them to make decisions that were timely and properly informed. So to act fairly and reasonably Barclays should have disclosed the ERC during any interaction in the branch along with the balance of the mortgage and how much was offset.

The ERC was clearly key information that Mrs M needed to make a decision about what to do. Therefore to meet Mr and Mrs M's information needs and to make sure they were equipped to make timely and informed decisions, Barclays should have checked that Mrs M understood how much of the balance was offset, that an ERC would apply and asked if she had further questions.

I accept that I am unable to say exactly what was discussed. But where there is a dispute about what happened, I have based my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in the light of the evidence.

I accept that Mr and Mrs M intended to repay their mortgage. But they were unsure about the specific details of their mortgage and could not access the banking app. While it was their intention to repay the mortgage, they have said the purpose of the visit to the branch

was to find out the information they needed so they could make an informed decision about what to do.

Mrs M has been clear that she was not told about the ERC or the exit fee. She said that when she was told the balance was around £10,000, she queried that as it was higher than she expected but Barclays confirmed the figure was correct and completed the transaction.

In its final response, Barclays did not say that it told Mrs M about the ERC in the branch, it merely said it was set out in the mortgage offer. Its initial submission to us said it could not evidence what was discussed in the branch. It has later provided a copy of the information it said would have been available to the branch.

What struck me was that Barclays has not provided any evidence of any policy or procedure for this scenario or all the steps it would usually expect to take in this scenario – with evidence to show that those steps were followed. Its initial investigation has focussed largely on the fact the ERC was set out in the offer – it failed to grasp its wider regulatory responsibilities.

I accept that the offer is relevant to some extent. It sets out that an ERC was payable, and that Mr and Mrs M accepted that. But that does not mean that it was fair or reasonable for Barclays to apply the ERC in the circumstances here. To do that it would need to show that it gave Mrs M enough information to understand that an ERC was payable when she was in a branch, explain that most of the mortgage balance was offset by savings and check that Mrs M understood that.

I do not consider the weight of the evidence or Mrs M's actions supports, on balance, that Barclays did enough to set out in a clear, fair and not misleading way that an ERC would be payable, the amount of the ERC and the amount of the mortgage that was offset. I therefore need to decide what Mrs M would most likely have done had she been given the information she needed and if Barclays checked she understood the ERC and the overall position of the mortgage.

Mr and Mrs M had offset most of the mortgage balance. As a result they were only paying interest on under £1,500. The monthly interest on that was under £7. If they had continued to pay interest on that balance for the remaining two years and six months, the total interest they would have been charged would have been around £200.

I find it unlikely if Barclays had set out all the information it should have to equip Mrs M to make a timely and informed decision what to do, that she would have chosen to pay an ERC of £8,492 rather than let the mortgage continue. It would cost her significantly more to repay the mortgage rather than letting it continue. Further, we know that as soon as Mr and Mrs M were made aware they had paid an ERC they made a complaint. I do not understand why they would have done so if Barclays had set out all the information it needed to and checked that Mr and Mrs M understood it.

The starting point is to put Mr and Mrs M back in the position they would have been in had they been given the correct and complete information in the first place. But that would mean putting the mortgage back in place. That does not seem like a proportionate step to take in the circumstances here. The interest Mr and Mrs M have saved is equivalent to the amount I would have awarded to reflect the distress and inconvenience this matter has caused to them. So I am not making a separate award for that.

Barclays should refund the ERC and pay interest at 8% simple per year from the date the mortgage was repaid until the date it settles this complaint.

The mortgage exit fee of £80 was always payable if Mr and Mrs M repaid the mortgage. As they would have repaid the mortgage at some point, there is no reason for me to say that amount should be refunded.

My final decision

My final decision is that Barclays Bank UK PLC should:

- Refund the ERC of £8,492.00.
- Pay interest on the above amount at 8% simple per year from 6 March 2025 until the date the refund is made. If Barclays considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs M how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 21 April 2026.

Ken Rose
Ombudsman