

## **complaint**

Mr F complains that Barclays Bank UK PLC didn't allow him to extend the term of his interest only mortgage.

## **background**

Mr F held a part-repayment, part-interest only mortgage with Barclays. The term ended in 2013. Mr F says he was unable to pay the interest only balance for a number of reasons, including the loss of his job, the poor performance of his endowment policy and difficulty obtaining a new job.

In 2016, Barclays agreed a payment arrangement until May 2018 – to give Mr F time to complete his studies and find a new job.

In 2018, Mr F explained that he hadn't been able to complete his studies due to some difficult personal circumstances. But Barclays rejected his proposals to extend the term of the mortgage further. In 2019, it told Mr F that it intended to take legal action to repossess his home.

Mr F complains about a number of things, including that Barclays:

- Didn't give him enough time to find a long-term solution before he has completed his studies and found a suitable job.
- Didn't take into account that he has been paying Barclays (and Woolwich) mortgage payments for over 30 years. It should show some flexibility and offer more support in view of that.
- Didn't consider that his plans and income have been affected by a number of unforeseen events. Barclays should exercise more long-term flexibility, commitment and responsibility until he finds a full time job.
- Should have recognised his scholarship income, then he could have extended his mortgage term.
- Rejected all of his proposals. His career prospects would improve considerably once his studies are complete.
- Caused him a lot of stress by threatening legal proceedings – and that was after he had told Barclays he was ill.

- Wrongly said that he didn't keep to the 2016 arrangement.
- Ignored the financial advice he'd received that an equity release mortgage wasn't suitable for him.
- Put pressure on him when he had reached an important part of his studies.
- Wouldn't have face-to-face meetings with him.
- Don't give him a point of contact – so he had to repeat himself.
- Exhibits a lack of trust by not recognising he was a loyal customer of more than thirty years who has made significant effort to repay his mortgage under difficult circumstances.

Our investigator didn't think the complaint should be upheld. Mr F didn't agree.

### **my findings**

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

Mr F's mortgage ended in 2013. The contract he had with Barclays was to repay the interest only part of the mortgage by that date. Barclays was entitled to seek repayment of the mortgage balance at that point. But a reasonable lender should understand that sometimes things don't turn out as planned. So it should take a fair approach when borrowers with interest only mortgages are unable to repay their mortgage at the end of term. Since 2014, the relevant rules give lenders the discretion to agree term extensions in these circumstances, alongside other options – but only where it is in the borrower's best interests.

I consider that Barclays acted reasonably when Mr F was unable to repay the mortgage in 2013. I can see a term extension was discussed at various points. But the mortgage was unaffordable, even if Barclays extended the term to its maximum age. I note Mr F says that Barclays had given him details of a term extension of 18 years. But that was not a formal offer and did not commit Barclays to extend the term of the mortgage on that basis. I am satisfied that Barclays gave fair consideration to his proposals at that time – and it was a reasonable decision to reject them.

Following that Barclays gave Mr F time to consider his options. It reconsidered his proposals, but rejected them for largely the same reasons. It also referred Mr F to a financial adviser.

Mr F considers it unfair that Barclays would not take account of his scholarship income. But looking at the terms of the scholarship, I think it was reasonable for Barclays not to accept this income. I say that as it was renewable each year, only for a set period and subject to various conditions being met.

The position remained largely the same until 2016. Barclays took details of Mr F's income and expenditure and agreed a payment arrangement where Mr F would make a payment to his mortgage current account each month and ad-hoc payments to the main mortgage. This arrangement was in place until May 2018 when Mr F was expected to finish his studies.

Barclays' final response says that Mr F was unable to keep to the plan. Looking at the statements we have, I can't see that Mr F missed any payments. But in any case, Barclays notes don't suggest this was a reason why it made any of its later decisions. So I don't consider Mr F has been disadvantaged by a comment in Barclays final response letter – and it isn't something I have the power to consider as it relates to Barclays' handling of the complaint

When that arrangement ended, Mr F asked for more time as his studies weren't complete as expected due to a combination of circumstances. I can see that Barclays fairly considered Mr F's proposal. It went on to reject it as it agreed the previous arrangement to give Mr F more time to complete his studies and as it was more than five years since the mortgage term had ended.

At that time, Mr F's expenditure was greater than his income, even with only the interest being paid towards the mortgage and no payments to reduce the outstanding capital amount. In view of the length of time since the mortgage term had ended and what Barclays knew about Mr F's circumstances, I don't consider it was unreasonable for Barclays to reject his request for a new payment arrangement. While his circumstances *might* have improved by July 2019, that was not guaranteed – and even based on what he said it wasn't guaranteed that there would be a sustainable way to repay the full mortgage balance. I don't consider it would be fair to say that Barclays should have accepted a proposal on that basis. I can see why it might

Mr F says he had a mortgage with Barclays for 30 years and it should show some trust in view of their longstanding relationship and the efforts he had made in respect of his mortgage, despite some challenging circumstances. While many lenders will take into account past conduct in making decisions, I don't consider this would oblige a lender to extend the term of a mortgage – even if all the payments had been made in full and on time. Nor would the length of the relationship necessarily be a reason for lender to treat a customer favourably. Lenders are required to treat all customers fairly. To do so, it should carry out a wider assessment of whether extending the term would be in its customer's best interests.

It is difficult to see how extending the term of the mortgage further on an interest only basis would have been in Mr F's best interests overall. Mr F said his situation might improve at the end of his studies and he would refinance at that point. But I don't think it was unreasonable for Barclays to base its decision on what it knew about his actual circumstances at the time in question. The information presented by Mr F didn't include a plan to repay all of the mortgage balance if he wasn't able to refinance. It also depended on Mr F's circumstances changing. Based on the information available to Barclays and in all the circumstances I consider it was a fair decision for Barclays not to agree a term extension – particularly in view of the extended forbearance it had already shown Mr F.

While a mortgage advisor might have only recommended an equity release mortgage to Mr F as a last resort, I can't see there were any other options available to Mr F. Barclays had already offered a long period of forbearance at the end of the mortgage term and was not prepared to extend the term any further. I've already found this was a fair decision. It seems unlikely that Mr F could have found another mortgage lender prepared to give him a conventional mortgage. That left the options of either selling his home or taking an equity release mortgage. As Mr F didn't want to sell his home, then taking an equity release mortgage was the last resort. I understand Mr F has now repaid his Barclays mortgage with an equity release mortgage.

As the mortgage had reached the end of term, Mr F hadn't put forward any proposals that were acceptable to Barclays, further extensions weren't in his best interests and as Barclays had already given Mr F around five years to explore his options, it was reasonable for Barclays to give formal notice of its intention to start legal proceedings. I note the stress that Mr F says this caused him, particularly as Barclays knew he was ill. But overall, I think it was reasonable for Barclays to take that action at that time. I say this as the mortgage term had ended more than five years before that and it hadn't received acceptable proposals to repay the mortgage.

Lenders should be sensitive to a borrower's situation when they are vulnerable – and the action they take should depend on individual circumstances. But in this case, I don't consider that what Mr F had told Barclays about his health and personal circumstances, including that his studies were at an important stage, would prevent Barclays taking the action it did. I think it has acted fairly in giving Mr F breathing space and communicating in writing when it could – and I can see that Mr F's personal circumstances were taken into account by Barclays in reaching its decisions.

I am sorry to hear of the very difficult time Mr F has been through. The threat of losing his home would only add to that. But after carefully considering everything that happened, I don't consider Barclays has treated him unfairly or unreasonably.

There was no requirement generally or in the circumstances here for Barclays to offer Mr F a face-to-face meeting or to offer him a point of contact. I can see that Mr F has had from time-to-time to repeat his circumstances to Barclays. But looking at the evidence available to me he has not had to do so excessively. And Barclays would be unable to consider any concession without having an up to date record of Mr F's income, expenditure and circumstances.

I appreciate Mr F's strength of feeling – especially since his income is now sufficient to support a mortgage. But it was reasonable for Barclays to base its decisions on Mr F's circumstances at the time in question. When the 2016 arrangement ended, Mr F did not have sufficient income to support the mortgage or a clearly viable plan to repay the mortgage balance in full. So it was reasonable for Barclays to decline his proposals and start legal action – especially since the term had ended in 2013.

This is not a case where Mr F had no options to repay the mortgage balance to Barclays. He was able to refinance with an equity release mortgage. While Mr F might have preferred a different option, there was no requirement for Barclays to agree to his proposals. And I am satisfied that Barclays considered Mr F's proposals fairly and reached reasonable decisions in the circumstances and based on the information available to it.

In regard to Mr F's points about the compensation he received from Barclays for other matters, it is unlikely that even if Barclays took those amounts into account, it would have made a difference to its decision. I say this as the amounts involved weren't sufficient to clear the balance of the mortgage.

**my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 20 December 2020.

Ken Rose  
**ombudsman**