complaint

Mr and Mrs T complain that Barclays Bank UK PLC mis-sold their mortgage. They say it didn't consider how they would repay the interest only part of their mortgage, it didn't adequately assess the suitability of consolidating unsecured debts and it didn't consider how they would repay the mortgage once Mrs T retired.

background

In 2009, Barclays recommended that Mr and Mrs T should take a mortgage of £184,000. The balance was £70,000 interest only and £114,000 repayment mortgage. The mortgage had a term of 20 years. Mr T was 62 years old at the time of application and Mrs T was 49. The purpose of the mortgage was to consolidate unsecured debt.

Mr and Mrs T say that the mortgage was mis-sold. In particular they say that Barclays:

- Didn't ask them how they would repay the interest only part of their mortgage.
- Advised them to consolidate their debt by remortgaging without considering whether another option would be more suitable for them.
- Didn't tell them that by adding short term unsecured debt to their mortgage would mean that they were repaying that debt over a longer term and would incur more interest as a result.
- Did not discuss how Mrs T would repay the mortgage when she retired in 2025.

Our investigator didn't think the complaint should be upheld. She didn't think Barclays gave Mr and Mrs T unsuitable advice about their interest only mortgage or consolidating debt. She also thought that it fairly considered whether the mortgage was affordable over the term of the mortgage.

Mr and Mrs T responded to make a number of points, including:

- The mortgage offer said they needed a repayment vehicle of £70,000.
- Mr T wasn't working at the time and affordability was "questionable".
- The poor advice has caused financial difficulty and affected their mental health for years and Mrs T will have to keep working until she is 70 to maintain the mortgage.

my findings

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

Barclays was giving Mr and Mrs T mortgage advice. So it was required to take reasonable steps to gather information about Mr and Mrs T's needs and circumstances and recommend a mortgage that was suitable for them based on that. As a lender it also had a responsibility to make sure the mortgage was affordable over the term of the mortgage.

The application form states that Mrs T was employed with an expected retirement age of 70 and a monthly income of £2,395. Mr T wasn't working. It goes on to list total unsecured debt of over £50,000 with monthly payments of £1,514 – with the majority to be repaid on completion, reducing monthly payments for unsecured debt to £342 (although Barclays has given evidence to show that Mr and Mrs T later agreed to repay all of their unsecured debt with help from their parents). The application form says the repayment vehicle for the interest only element of the mortgage is an endowment policy of £70,000, which was due to mature in 2021.

interest only

It was reasonable for Barclays to recommend a part interest only mortgage as it seems likely that Mr and Mrs T told it they had an endowment policy that would be sufficient to repay the interest only element. And the mortgage offer set out the requirement for a repayment vehicle. So Mr and Mrs T had the opportunity to query it if they didn't, in fact, have a repayment vehicle.

debt consolidation

Barclays hasn't given us its rationale from the time about why it thought debt consolidations was suitable for Mr and Mrs T. So I have to make my decision based on the information available to me.

The relevant rules at the time said that where a business recommends a mortgage to consolidate existing debt it must take account of the following, where relevant:

(1) the costs associated with increasing the period over which a debt is to be repaid;

(2) whether it is appropriate for the customer to secure a previously unsecured loan; and

(3) where the customer is known to have payment difficulties, whether it would be more appropriate for the customer to negotiate an arrangement with his creditors than to take out a regulated mortgage contract.

I can't see any evidence that Barclays took account of the increased costs or the risks of securing a previously unsecured debt. But I can see that Mr and Mrs T didn't have payment difficulties – so it didn't have to consider whether they should negotiate with their creditors instead.

But I have to consider that Mr and Mrs T had a large amount of unsecured debt in relation to their income – and that took up a significant proportion of their monthly income. I can see why there was a need for them to rearrange their debt on to a more affordable basis. And although there was the risk of securing that debt and increasing total costs – the monthly saving was significant.

It isn't clear whether Barclays took into account the risks of debt consolidation. But there was a significant benefit to Mr and Mrs T which I think in the circumstances outweighed the risks.

After carefully considering the information available to me, I think it would be difficult for me to say that Barclays acted unfairly or unreasonably in recommending debt consolidation in the circumstances here.

affordability into retirement

When the mortgage was arranged, Barclays, along with other lenders, used an income multiplier to decide how much to lend to borrowers. The income multiple it agreed for Mr and Mrs T was higher than it would normally agree – and the application was originally declined. But Barclays reviewed its decision on appeal and approved a higher income multiplier. This was not unusual. But I still need to decide if Barclays acted fairly and reasonably in assessing affordability.

I can see that Barclays considered Mr and Mrs T's payment history, the savings they would make and it was told they would repay all their unsecured debts. In view of that, I think it made a reasonable decision in approving the application. On the face of it with all of the unsecured debts repaid the mortgage was affordable.

Mrs T will be eligible for state pension in 2025. The term of the mortgage goes past when both her and Mr T will be eligible for state pension. But the decision to lend and the recommendation was based on Mrs T's income and that she would continue working until 2029 when she will be 70.

It was reasonable for Barclays to accept that Mrs T could continue to work until she was 70. I say this in view of what it knew about Mrs T's job – there was no indication that it was not something that she could carry on into her sixties.

So I don't consider it was unfair or unreasonable to recommend a mortgage of this term to Mr and Mrs T.

conclusion

I'm sorry to hear about the worry that this mortgage has caused to Mr and Mrs T. But looking at the information we have and what we know about the circumstances, I consider that it was reasonable for Barclays to recommend the mortgage it did and to consider that it was affordable.

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 and Mrs T to accept or reject my decision before 7 November 2020.

Ken Rose
ombudsman