

complaint

Mr U's complaint is about the advice he received from Barclays Bank Plc to use a pension policy to repay a mortgage. Barclays admitted their advice was incorrect. But, Mr U does not agree with the offer that has been made to him.

background

Mr U complained to Barclays about the advice he received to use a pension policy to repay his mortgage. Barclays upheld his complaint as they agreed a pension policy wasn't a suitable way to repay his mortgage.

Barclays also identified that Mr U had bought a whole-of-life policy which was used for his mortgage. Barclays said that the type of policy was suitable for the purpose it was sold for. But, they added that had Mr U taken out a repayment mortgage suitable life cover would have been a decreasing term assurance policy.

Barclays calculated the loss Mr U had suffered. They did this by trying to put Mr U back into the position they thought he would have been in had he received suitable advice. Mr U disagreed with Barclays. They asked us to investigate this complaint.

An adjudicator investigated this complaint. He thought that the method used to calculate the loss was broadly correct. But, the data used should be adjusted.

- Mr U couldn't take the benefits when the pension was made paid up. The comparison should therefore deduct 25% of the current value for the pension.
- The premiums and surrender value for the whole of life policy should be used.
- The calculation should assume that Mr U started a repayment mortgage with a 25 year term.

The adjudicator asked Barclays to recalculate the loss. A calculation was made that showed Mr U had suffered a loss of £12,329.94. Barclays has made an offer to Mr U for that amount plus £100 for the distress and inconvenience caused.

Mr U did not accept the offer. His representative explained that bailiffs called at Mr U's house to demand repayment of the mortgage, which was also with Barclays. That has been distressing for Mr U. The payment for distress and inconvenience therefore needs to be larger and payment for the professional costs of using a representative should be made.

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 has upheld the complaint. I therefore don't need to make any findings about the suitability of the advice to use the pension policy to repay the mortgage. I agree that the advice was unsuitable for Mr U. I will consider how Mr U should be compensated.

I haven't seen any evidence that the pension was guaranteed to repay the mortgage.

My aim is to return Mr U to the position that he would now be in if he'd received suitable advice. I think he would have had a repayment mortgage and made smaller pension contributions.

It's unusual to have a repayment mortgage for a term of more than 25 years. I think that Mr U could afford the payments for that term. So that should be used for the comparison.

The whole-of-life policy was sold as part of the mortgage advice. I think the premiums and surrender value should be used in the calculation.

Mr U has also told us that he has been caused problems because of the advice to use the pension to repay the mortgage. English isn't his first language and bailiffs visited when the mortgage was due to be repaid. That wouldn't have happened if he'd been given suitable advice.

We contacted Barclays about this who agreed to increase the payment for distress and inconvenience to £500. Mr U doesn't think that is enough. I have listened to a telephone call between Mr U and the adjudicator. It's clear that Mr U has been worried by not being able to repay the mortgage. The mortgage is with Barclays and yet bailiffs were sent although this complaint was being made. I think that was all very worrying for Mr U. I think a substantial payment of £500 is fair in this case.

Mr U has asked for a payment towards the cost of being represented. Although I understand that has been difficult, I don't think he needed to pay to make the complaint. Our services are free to consumers. I make no award for those fees.

fair compensation

Barclays must undertake the following calculations. This should be an update of the calculation is that Barclays has already made.

1. Establish the amount that would have been repaid under a capital repayment mortgage for a term of 25 years. That should be from the date the mortgage started to 2 September 2012 (the date the pension policy was made paid up). This figure will be known as sum A.
2. Add interest to Sum A at the rate of 8% simple from 2 September 2012 to the calculation date. This figure will be known as sum B.
3. Establish 25% of the current transfer value of Mr U's pension plan at the calculation date based on premiums paid from commencement to 2 September 2012. This figure should be deducted from sum B.
4. Establish the current value of Mr U's whole-of-life policy at the calculation date based on premiums paid from commencement to 2 September 2012. This figure should also be deducted from sum B.
5. Establish whether there has been any loss for regular outgoings by comparing:
 - a. the equivalent mortgage costs for a capital repayment mortgage from the start date of the policy to 2 September 2012 plus the cost of a decreasing term assurance;

with –

- b. the costs of the pension linked mortgage from the start date of the policy to 2 September 2012. That is interest plus 25% of the net pension contributions and any associated life assurance.

If the comparison shows that Mr U has experienced a loss as a result of higher ongoing costs, that amount should be added to the capital loss established above. If the comparison shows there has been no loss or a gain, it should be ignored, as Mr U has spent any savings as part of his regular monthly outgoings.

In all the above calculations, Barclays should only take into account the benefits derived from pension contributions established at the time the pension-linked mortgage started.

Please note where the above calculations include interest payments Mr U may be liable to tax on this interest.

Barclays should also pay Mr U the sum of £500 for the distress and inconvenience caused by its advice.

my final decision

I uphold the complaint. Barclays Bank Plc should now calculate and pay compensation as set out above.

Under our rules, I'm required to ask Mr U to accept or reject my decision before 9 November 2015.

Roy Milne
ombudsman