

complaint

Mr V and Mrs V complain that Barclays Bank UK PLC treated them unfairly when the term of their interest only mortgage expired. Mrs V has dealt with the complaint throughout. She asks for a term extension of 2 to 5 years.

background

Mr V and Mrs V took out a repayment mortgage with Barclays in 2002. This was changed to interest only payments in 2005, after they separated. The mortgage term expired in June 2019 with an unpaid balance. Mrs V asked Barclays for a five-year extension, which Barclays declined.

Our investigator wrote to the parties in March 2020 saying Barclays should offer an extension of 12 months to allow Mrs V time to sell the property. It should then review Mr V and Mrs V's circumstances.

Barclays didn't agree, saying a year had already passed since the term expired. It said it would allow more time for Mrs V to sell the property if she provided the information it had previously requested. Mrs V wanted Barclays to commit to a longer period. She doesn't want to put her property on the market at this time.

I issued a provisional decision to the parties to explain what I thought should happen. In it, I set out the following provisional findings:

The term of Mr V and Mrs V's mortgage expired in June 2019 with an unpaid balance.

Mr V and Mrs V have divorced. While Mr V doesn't live in the property or contribute to the mortgage, his name is on the mortgage account. Mrs V says he's agreed his name can be taken off the account. But, while Mr V remains on the account he's liable, jointly and severally with Mrs V, for the debt. I need to bear this in mind when considering this complaint.

Mr V and Mrs V borrowed the money from Barclays, and they do have to pay it back. Fairness requires, as a starting point, that they did so when it was due at the end of the term. Mrs V was in contact with Barclays before the term expired, to discuss refinancing or extending the mortgage. Mrs V didn't meet affordability or lending criteria for a repayment mortgage or a new interest only mortgage. Mrs V says Barclays told her it could only extend the term of the interest only mortgage if this was to align it with a repayment method – for instance, when an endowment policy or pension lump sum is due. This wasn't the case here.

Barclays said it would help Mrs V put the property on the market and allow her a year to sell. Mrs V doesn't think Barclays has been fair. She wants it to extend the term because she doesn't think it's a good time to sell, due to the uncertainty created by Brexit and, more recently, the Covid-19 pandemic.

Rules on mortgage regulation require lenders to assess affordability and, in the case of interest only mortgages, repayment strategy before offering or varying mortgages. There are certain exceptions to this for mortgages taken out before 2014, as Mr and Mrs V's was. In brief, Barclays didn't have to decline Mrs V's requests for a term

extension due to issues with affordability or repayment strategy if the proposed change was otherwise in Mr V and Mrs V's best interests.

I should say here though that I think it's reasonable for Barclays to consider affordability and how the mortgage will be repaid when assessing what's in Mr V and Mrs V's best interests. Mrs V says she can make some lump sum payments towards repaying the mortgage. But at the end of any extension she will still have a balance to repay, and no means of doing so other than to sell the property.

Mrs V says the uncertainty has affected her health. She wants Barclays to offer an extension of three years, as any shorter period would leave her in a state of anxiety, not knowing whether the term will be further extended if she's unable to sell her house. She'd like Barclays to commit to extend the term again at the end of the 12 months extension recommended by the investigator.

It seems, from what Mrs V has said, she hasn't marketed the property or looked into selling it, and she doesn't intend to use the time during any term extension to sell the property. I think it's likely that, at the end of any extension, Mrs V will be in the same position, having no means to repay the balance other than by selling the property. She will have paid more interest in the meantime. And we can't know whether she'll achieve a better price if she sells the property in the future than she would by selling it now. This could also potentially affect Mr V, for instance if Mrs V doesn't maintain interest payments or if sales proceeds aren't enough to repay the mortgage.

Mrs V says she finds the uncertainty about what will happen with the property and the mortgage very stressful. She's been in regular contact with Barclays, discussing her circumstances and her options, and I can understand she found this upsetting. I don't think though it was unfair for Barclays to ask her for information, or to attend appointments with its advisers. Mrs V doesn't want to sell her home and I think it was right that Barclays asked her for information to see what options, if any, it could offer to avoid this.

I think Barclays has acted fairly here, in looking into what options Mrs V has. Unfortunately, her options are limited. I know Mrs V will be disappointed, but I don't think it's clearly in Mr V and Mrs V's best interests for Barclays to extend their interest-only mortgage. I don't think it's reasonable or fair to require Barclays to offer them a term extension.

What should happen now?

When the investigator recommended a one-year term extension, there were significant restrictions in place due to the Covid-19 pandemic. Now, while some restrictions remain in place, the property market is open.

If Mrs V hasn't already done so, she might consider seeking independent advice to explore her options.

Barclays said it would allow Mrs V time to sell the property. It says once it has evidence the property is on the market for sale it would review the situation on a quarterly basis. It could also offer an assisted voluntary sale.

Barclays said it would need to see income and expenditure information to show that interest could be paid affordably until the property is sold. Mrs V says she has savings, and has set aside money for interest payments. If Mrs V provides evidence of this to Barclays, I don't think it would be fair for Barclays to also ask that she provides income and expenditure information for the period covered by the savings.

Barclays hasn't started action for possession. Due to the Covid-19 pandemic and related Government restrictions, the regulator issued guidelines. Currently, these say that lenders can't take or resume possession action until November 2020. This gives Mrs V some breathing space, to seek advice about her options and, if need be, arrange for the property to be offered for sale.

Mrs V should keep Barclays informed about her intentions. I'd expect Barclays to continue to treat Mr V and Mrs V fairly while Mrs V makes arrangements to repay the debt, and to take account of any further guidance issued by the regulator. But, ultimately, if Mrs V doesn't sell the property or otherwise repay the mortgage, Barclays is entitled to take possession as a last resort.

Responses to my provisional decision

Barclays said it agreed with most of my provisional decision. It said it couldn't agree a plan with Mrs V without asking about her income and expenditure. It said it was possible that Mrs V had higher outgoings than savings, meaning a plan wasn't affordable and could lead to financial detriment. It later said it had to go through Mrs V's income and expenditure to see if she was able to repay some capital each month, to reduce the amount owed. It says it requires this of all customers and saw no reason to treat Mrs V differently.

Mr V agreed with my provisional decision. Mrs V didn't agree. She explained why and re-sent evidence. In summary, Mrs V said:

- The investigator didn't mention Covid-19, the property market is extremely depressed and there could be a second lock-down.
- Barclays had caused delays and given conflicting information.
- Barclays refused her offers to resolve the matter, even though she reduced the length of the extension she requested. Barclays hadn't granted an extension: it put action on hold during her complaint.
- Mr V isn't at risk as there's equity in the property.
- It isn't in her best interests to force her to take out a more expensive repayment mortgage or sell her property at a challenging time.
- Barclays doesn't need evidence of affordability as she's always made payments on time.
- She intends to sell the property and proposes to put it on the market in summer 2021 when she expects to get a better price.
- Marketing her property would mean allowing people into her home, posing a risk during the Covid-19 pandemic, especially to her husband who's in his early sixties.

my findings

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

Having read and considered what Mrs V has said following my provisional decision, I'm not persuaded to make substantial changes to my provisional findings. Given our informal

approach, I won't comment on each of Mrs V's points. That's not meant to be discourteous. I want to focus on what's at the heart of this complaint – whether Barclays should extend the term of Mr V and Mrs V's interest only mortgage.

Mrs V says she intends to sell the property but wants to put it on the market in summer 2021. She says this is in her best interests as she expects to achieve a higher price. Mrs V's comment that the property market is extremely depressed is at odds with reports – including by The Royal Institution of Chartered Surveyors (available on its website) – of strong demand and activity. Mrs V hasn't provided sufficient evidence that now is a particularly difficult time to sell or that she's likely to get a higher price next year to make it fair and reasonable for me to require Barclays to allow a term extension on this basis.

I've also thought about Mrs V's concerns about marketing a property at this time. The government has issued advice on home moving during the pandemic (available on the www.gov.uk website). As I've said, the property market is active and so while the process might be different, it is possible to market property and move home.

Mrs V has no means to repay the mortgage other than by selling the property. Mrs V says there's more than adequate equity in the property to repay the mortgage. There's no guarantee this will still be the case next summer, or that Mrs V will be able to sell the property more easily or at a higher price. Unfortunately there's no certainty the Covid-19 pandemic will be over by then.

In the circumstances, I don't think it would be in Mr and Mrs V's best interests to require Barclays to extend the mortgage term.

Information about affordability while the property is being sold

Barclays says it needs income and expenditure information from Mrs V. I don't agree that it's reasonably necessary to ask for this in addition to proof of the savings Mrs V set aside to make payments – although I agree this wouldn't be the case indefinitely. If Mrs V provides evidence to Barclays of enough savings to cover interest payments for at least six months and maintains monthly interest payments, I don't think Barclays should also ask that she provides income and expenditure information for the first four months after she accepts my decision (if she does).

Barclays needs to treat customers fairly and what this means in practice depends on their circumstances. Here, Mrs V will need to start the process of selling her home – and as she's said this might have additional challenges due to the Covid-19 pandemic. I think it's fair to allow Mrs V a relatively short period without having to provide income and expenditure information to Barclays, so she can focus on taking steps to sell the property, or otherwise refinance or repay the mortgage.

What will happen now?

If Mrs V hasn't already done so, she might consider seeking independent advice to explore her options.

Barclays said it would allow Mrs V time to sell the property. It says once it has evidence the property is on the market for sale it would review the situation on a quarterly basis. It says it could also offer an assisted voluntary sale.

Due to the Covid-19 pandemic and related Government restrictions, the regulator issued guidelines. It recently issued new guidance in effect from 20 November 2020. This sets out the regulator's expectations about tailored forbearance and how lenders should approach repossession. Barclays should take this, and any further guidance into account.

Mrs V should keep Barclays informed about her intentions. I'd expect Barclays to take guidance from the regulator into account and treat Mr and Mrs V fairly while Mrs V makes arrangements to repay the debt. But, ultimately, if Mrs V doesn't sell the property or otherwise repay the mortgage, Barclays is entitled to take possession as a last resort.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 25 December 2020.

Ruth Stevenson
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