

complaint

Ms B complains about errors and delays by Barclays Bank UK PLC when she re-mortgaged. She says she was misled about whether her unsecured debts would be repaid from an interest refund.

background

Ms B previously brought a complaint to our service about her mortgage with Barclays. An ombudsman issued a final decision in September 2015 which Ms B accepted. The 2015 final decision required Barclays to:

- Fairly assess consolidating Ms B's mortgage account and mortgage current account (MCA) into a single mortgage account.
- Extend the term of her mortgage if this was suitable and affordable.

The application process started in November 2015. Initially, it was intended that Ms B's mortgage account, MCA and credit card debt would be consolidated into one account. The application needed to be referred to a specialist team within Barclays.

There were delays and this application, and subsequent applications, expired. In September 2016 Barclays declined the application due to concerns about affordability. Ms B says Barclays told her it would refund some of the interest applied to her MCA.

In September 2016 Barclays issued a mortgage offer to consolidate the MCA and mortgage account. This was on condition that Ms B repay her credit card debts (about £6,000) within 30 days of completion. Ms B said she was unable to do this and would have to repay her credit card debts on a monthly basis. Barclays said this wasn't affordable.

The mortgage application was then processed on the basis that the interest refund would be used to repay the credit card debts. A new mortgage offer was issued in January 2017. This included a condition that Ms B repay commitments of about £9,650 in full, within 30 days of completion. The mortgage completed in February 2017. In March 2017 Ms B received an interest rebate of £1,425, which wasn't enough to repay her credit card debts.

I sent a provisional decision to the parties, setting out what I thought about this complaint. In summary, I said while Barclays had made errors, the compensation it offered was fair and reasonable in the circumstances. I said while the interest refund was less than Ms B had expected, she wasn't worse off as a result of the re-mortgage.

Ms B provided further information about what had happened, which I've read and taken into account when writing this final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

There were delays in Barclays processing Ms B's application for a new mortgage. Barclays says this was because Ms B wasn't in regular work, and she didn't have two years accounts to support her projected self-employed income. It was also concerned about her levels of unsecured debts. Ms B says her work position hadn't changed since she took out the mortgage in 2001.

However, there's no dispute that the time taken – from November 2015 to February 2017 – to process Ms B's application for a mortgage was unacceptable. And there was a delay in Barclays refunding interest after completion, as it had said it would do. Barclays agreed its service was poor and paid £500 to Ms B for the distress and inconvenience this caused. It also paid £1,425 for the difference in the interest rate between the MCA and new mortgage between September 2015 and completion of the new mortgage.

Barclays offered Ms B a further £500 for the distress its delays had caused.

was Ms B misled about the interest refund?

Ms B says it was agreed that Barclays would refund interest on the MCA from the start of the mortgage in 2001. Barclays says it offered to refund interest on the MCA from November 2015, due to the delays in processing the re-mortgage after November 2015.

I've listened to the call in September 2016 between Ms B and the person at Barclays responsible for calculating the refund. Ms B asked how much the refund would be and for the dates to be confirmed. Barclays told Ms B interest was calculated on a daily basis, and so it wasn't possible to calculate the interest refund until after the new mortgage completed. Barclays said the refund would then be used to reduce the balance. Ms B said she didn't understand and asked for an email confirming this and giving the dates. Barclays provided a copy of the email, which unfortunately Ms B says she didn't receive. The email repeated what had been said on the call – that Barclays couldn't provide a calculation until the mortgage completed. No dates were mentioned.

I think Barclays could have been more helpful here, perhaps by giving an example calculation to give Ms B an idea of the amount of the refund she could expect. This might also have helped clear up any misunderstanding about the date when the refund would start. However, Barclays didn't say on the call that the refund would start in 2001 and I haven't seen other evidence to support what Ms B has said – that Barclays offered to refund interest from 2001, or even from 2013 when she made her first complaint. On balance, it seems more likely Barclays offered to refund interest from November 2015 because of the delays with the re-mortgage.

did Barclays make an error with the mortgage offer?

It seems Barclays mortgage adviser *believed* the interest refund would be enough to repay Ms B's credit card debts. It's not clear why he thought this as no calculations were provided before completion. The poor communication within Barclays likely contributed to the error.

Barclays knew Ms B was unable to clear her credit card debts from her own resources. There's a note in its records saying "*we have received the call from applicant they say they wont be able to pay of the credit card commitment of £6000 and will be paying it off on a monthly basis*". Barclays had also reviewed Ms B's income and expenditure and financial commitments as part of its affordability assessment.

Barclays issued a mortgage offer in January 2017. It was a condition that Ms B repaid credit card and store card debts of about £9,650 within 30 days. Ms B accepted the offer. She says she wouldn't have gone ahead if she'd known the interest refund wouldn't be enough to repay the unsecured debts.

is Ms B worse off as a result of the re-mortgage?

Barclays had assessed the mortgage as unaffordable unless the credit card debts were cleared. It says there was no guarantee that the interest refund would cover these debts. But it's not clear how Barclays thought Ms B would repay the debts.

Barclays made errors here. But this doesn't mean Ms B is worse off as a result.

Ms B told Barclays she wanted a 15-year term and to reduce her monthly outgoings. The mortgage balance (about £47,000) didn't increase as a result of the re-mortgage. Ms B paid fees and costs of about £250 for the re-mortgage. The interest rate on the new mortgage is 0.74%. Before Ms B re-mortgaged, the interest rate on her mortgage was 0.99% and Barclays' standard variable rate (4.99%) applied to the MCA. The re-mortgage meant Ms B had a better interest rate.

If the re-mortgage hadn't gone ahead, Ms B would still have the unsecured debts, and a mortgage and MCA with a higher interest rate and higher monthly payments. So I don't think she's worse off as a result. There's no early repayment charge, so Ms B can still re-finance with another provider if she wants to do so.

Ms B's other complaints about Barclays' service

Ms B says she was asked for documents a number of times. This seems likely, given the time taken for the re-mortgage. I must also take into account that Ms B's circumstances changed during this time and Barclays would have needed to ask for further documents.

Ms B says she was told at the last minute that she had to repay the credit card debts within 30 days. I don't think that's right. Initially it was intended the credit card debts would be consolidated. But from September 2016 Barclays said consolidating her credit card debts wasn't affordable. As I've said above, I agree Barclays made mistakes here – in particular it's unclear how Barclays thought Ms B would be able to repay her credit card debts. And I think it's likely Ms B was expecting the interest refund to be enough to repay some or all of her credit card debts. But I've also said why I don't think these errors caused financial loss.

what happens now?

Barclays refunded the additional interest Ms B paid between November 2015 and the re-mortgage. So she wasn't out of pocket due to the delays in processing the re-mortgage. It paid compensation of £500 and offered another £500 for the upset caused and Ms B having to provide updated documents and information as a result of the delays. Overall, I think this is fair and reasonable.

In her response to my provisional decision, Ms B raised some new issues which hadn't been part of her complaint, including:

- Barclays added mortgage protection when she took out the mortgage in 2001 and at the re-mortgage in 2017. She says it made errors which left her out of pocket.

- her overall indebtedness hasn't reduced as her mortgage balance and unsecured debts add up to about £53,000. She says her monthly payments are higher. She says this is due to errors by Barclays.
- Barclays required her to use the interest refund to reduce her mortgage balance some months after she received the cheque in March 2017. She made the payment in January 2019 and had to borrow on credit cards and use a tax fund to do so.

It wouldn't be fair for me to deal with these issues here, in a final decision, when the parties haven't had an opportunity to provide evidence and comments. If Ms B remains concerned, she should raise these issues with Barclays.

my final decision

My decision is that I do not uphold this complaint. This is because I think the interest refund and £500 compensation paid to Ms B, and the offer of a further £500 is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 4 January 2021.

Ruth Stevenson
Ombudsman