

The complaint

Ms K and Mr Z have complained that, on applying for permission to let (PTL) on their residential mortgage with Barclays Bank UK PLC, they were not told that there would be restrictions on the type of available products when their interest rate product came to an end.

Ms K and Mr Z have also complained that, when switching to a new interest rate product on their buy-to-let (BTL) mortgage it was necessary to speak with an advisor. As a result, the rate switch took longer than anticipated, and the mortgage reverted to standard variable rate (SVR) for a few months.

To settle the complaint Ms K and Mr Z want Barclays to compensate them for their financial losses. Mr Z has dealt with the complaint throughout, with the consent of Ms K.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. Barclays has also acknowledged it made errors, so the only issue I need to decide is whether the compensation offered by Barclays is fair and reasonable, or if there is anything more Barclays needs to do to put things right.

In addition, our decisions are published, so it's important I don't include any information that might lead to Ms K and Mr Z being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Ms K and Mr Z had a residential mortgage with Barclays. At the time of these events, starting in October 2021, the mortgage was on a fixed rate product that was subject to an early repayment charge (ERC) which expired on 30 April 2022.

Ms K and Mr Z were moving abroad, to a property they already owned, but wanted to rent out their UK property. When arranging PTL on their residential mortgage, Ms K and Mr Z's Premier Manager didn't explain to them that, by doing so, this would restrict the available products when the mortgage came to the end of its fixed interest rate. They wouldn't be able to take out a new interest rate product from Barclays' residential mortgage range, and the bank had only one PTL product available. Mr Z says that if he'd been aware of this, he and Ms K would have postponed their move until after the ERC expired, re-mortgaged onto a better rate prior to moving abroad and then applied for PTL, or switched to a BTL mortgage.

In addition, when applying for a rate switch on a BTL mortgage on another of their properties, it was necessary for Ms K and Mr Z, as non-UK residents, to meet with an adviser. There was a delay in this taking place, as a result of which the mortgage reverted to SVR.

In its final response letter, Barclays acknowledged errors had been made; the Premier Manager, not being a mortgage specialist, hadn't realised that the fact Ms K and Mr Z were

moving outside the UK impacted on the options available on their residential mortgage. The bank said that further questions should have been asked about Ms K and Mr Z's residential status and circumstances in order to decide whether PLT was an option.

Barclays also acknowledged the delays in processing the product switch on the BTL mortgage. The bank had put this in place and backdated the switch, refunding any excess paid when the mortgage was on SVR.

Barclays also noted that an application for an additional £100,000 had been declined. The bank explained that any application for borrowing is subject to the bank's lending criteria; if Ms K and Mr Z wanted to make a new application, they could contact the bank about this.

Barclays offered Ms K and Mr Z compensation of £600 for its service errors across both the PTL and BTL mortgages.

Ms K and Mr Z didn't accept this and brought their complaint to our service. An investigator looked at what had happened. He noted the bank had accepted the errors it had made, but thought the £600 compensation offered was fair and reasonable.

Mr Z said he was accepting the £600 in relation only to the issue with the product switch on the BTL, as he believed that was what the compensation offered by the bank in its final response letter was for. But Mr Z said that if he'd known about the product switch restrictions on the PLT property, he and Ms K would have re-mortgaged before leaving the UK, switched to a BTL or cleared the mortgage. He said it was always the intention to return to the UK to live in the property, after a potential five-year or six-year absence.

The investigator reiterated that he thought the £600 for all issues was fair compensation. However, Mr Z said that the compensation was solely for the issue with the BTL. Mr Z said that he is now practically retired, worked 3 hours a day last year and paid himself £280,000, so he would like this to be considered by the ombudsman.

Mr Z also said that several of his other BTL properties are on periodic tenancies and so the tenants could have been evicted on two months' notice, allowing him and Ms K to move into one of those properties until the end of April 2022. Additionally, the tenants moving into the residential property were flexible and could have waited. Ms K and Mr Z say that they could have taken out a new residential mortgage at a better rate than the PTL rate available, and then applied for PTL, or taken out a BTL or paid off the mortgage completely.

The investigator wasn't persuaded that Ms K and Mr Z would have postponed their move. He also explained that it was unlikely that Barclays would have agreed a new residential interest rate product because the bank already knew that the intention was to move out of the property, not live in it.

What I've decided – and why

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

As I said above, because Barclays has accepted it made an error, the only issue I need to decide is what compensation the bank should pay. In this regard, Mr Z appears to have misunderstood that the compensation of £600 offered in Barclays' final response letter – and endorsed by the investigator as being fair and reasonable – applied to both the issues with the BTL mortgage and also with the mistake on the PTL.

The BTL issue has been resolved, other than Mr Z's confusion over the level of compensation offered for this, which I will refer to in more detail later in this decision.

The crux of this complaint is that Mr Z says that, if he'd known that, on being granted PTL in October 2021 this would then prevent him and Ms K from arranging a new residential mortgage product when their existing rate expired in April 2022, they'd have made other living arrangements rather than moving abroad, and then re-mortgaged in April 2022 onto a new residential rate, applying for PTL after that.

PTL is intended to be for short-term absence from the main residential property, for example, customers who are transferred elsewhere for work, or Armed Forces personnel. It is not intended as a substitute for a BTL mortgage.

In a letter to Ms K and Mr Z dated 14 October 2021 confirming the arrangement Barclays confirms that it will only allow a tenancy of a maximum of three years (if the tenant is a local authority or a 'company let') or a maximum of two years under an assured shorthold tenancy (which is the tenancy granted by Ms K and Mr Z in January 2022). I've noted Mr Z's confirmation that the intention was to return to live in the property, but he's also told us that this would be in five or six years' time, which would be outside Barclays' PTL policy.

Mr Z says that if he'd known about the restrictions on future products if there was PTL, he and Ms K would have re-mortgaged before they moved abroad in January 2022. However, if they'd switched to a new Barclays' residential mortgage product (or indeed re-mortgaged to another lender) they'd have incurred an ERC of about £17,400 on repayment of their existing mortgage, as well as the cost of taking out a new mortgage product. I therefore think it's unlikely that Ms K and Mr Z would have chosen this option, given the costs involved.

I also think it's unlikely that Barclays, on notice that Ms K and Mr Z were in the process of moving abroad, would have agreed to a new residential interest rate product and granted PTL at the same time. Mr Z says that he doubts whether Barclays would have linked a request for PTL with any application for a new residential interest rate product, but the PTL request would be recorded in the account history.

I'm also not persuaded that giving tenants two months' notice (known as a section 21 notice) at another of their BTL properties so that Ms K and Mr Z could move in until after April 2022 would also have been a viable option. There is no obligation for tenants to move out at the end of such a notice period; if the tenants decided not to leave, then Ms K and Mr Z as landlords would have had to take legal action to recover the property, and this would in all likelihood have been a protracted affair.

Similarly, the email from the estate agents saying that the tenants were flexible on their moving date and were happy to co-ordinate this with Ms K and Mr Z's moving date in January 2022 doesn't persuade me that those tenants would have been willing to wait four months to move into the property, until after 30 April 2022.

So, overall and after considering all the circumstances, I'm not persuaded, on the balance of the evidence, that Ms K and Mr Z would have done anything differently had they been told that the product options for PTL customers were limited.

In all the circumstances, therefore, I'm satisfied that the compensation offered by Barclays for both the BTL and the PTL issues – £600 – is fair and reasonable. I know Mr Z believes the compensation was just for the BTL issue. I think Barclays could have worded this better in its final response letter, and I apologise that we did not clarify this at an earlier point in the investigation.

However, I'm satisfied that this compensation is reasonable and proportionate to the customer service issues involved. It's reasonable for me to conclude that the £600 is to be equally divided for the two complaint points. Given this, I think £300 for the issues with the delay in putting the BTL mortgage in place is fair and reasonable.

The issue with the PTL was that Ms K and Mr Z were given incorrect information. But, as explained above, I'm not persuaded that they'd have acted differently if they'd been told that their future product options were limited if they had PTL. In addition, whilst noting what Mr Z has said about his financial status, we do not award compensation at the rate of a complainant's earnings. Taking everything that's happened into account, I think the £300 compensation offered for the incorrect information is also fair and reasonable.

In all the circumstances, therefore, I'm not persuaded there is any basis on which it would be fair or reasonable to order Barclays to pay any additional award over and above the £600 already offered.

In relation to additional borrowing, I understand Barclays does not allow further advances on properties where it has granted PTL. If Ms K and Mr Z want to raise additional funds against any of their BTL properties mortgaged to Barclays, they will need to speak to the bank, or to their own financial adviser.

I appreciate this isn't the outcome Ms K and Mr Z were hoping for. If they do not accept my decision, Ms K and Mr Z will be free to pursue legal action against Barclays, should they wish to do so.

My final decision

My final decision is that, in full and final settlement of this complaint, Barclays Bank UK PLC must pay Ms K and Mr Z £600. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K and Mr Z to accept or reject my decision before 19 October 2023.

Jan O'Leary
Ombudsman