

## **The complaint**

Mr and Mrs M complain about Barclays Bank UK PLC's handling of their application to take a new interest rate product on their buy-to-let mortgage. They say Barclays misinformed them, and caused confusion and delay.

## **What happened**

Mr and Mrs M have a buy-to-let mortgage with Barclays which was on a fixed interest rate deal ending on 2 November 2022. They wanted to take a new interest rate product to begin as soon as possible after the existing fixed rate ended, and also to make a lump sum overpayment to the mortgage. So they contacted Barclays in early October 2022, and a branch meeting was booked for them for 8 October 2022 to discuss their mortgage with a Barclays adviser.

Mr and Mrs M say the adviser told them not to make the lump sum payment straight away, and the payment would instead be dealt with by the conveyancing solicitors. Mr and Mrs M have since said this doesn't seem right, because they wanted to pay just under £30,000 to reduce the mortgage balance to £270,000 – and they could have done that at any time, using the 10% annual overpayment allowance on their existing fixed interest rate arrangement. But at the time they had no reason not to accept what the Barclays adviser told them, so they didn't make the payment.

A re-mortgage application was then made and Mr and Mrs M provided various information about their finances. Barclays issued a mortgage offer on 26 October 2022. The new deal was a variable interest rate of 1.34% above the Bank of England base rate until 31 October 2024, over a term of 22 years – extended from the existing remaining term of around 16 years.

On 3 November 2022 the fixed rate on Mr and Mrs M's mortgage ended and Barclays began charging interest at the higher, variable reversion rate.

In November and early December 2022 Mr and Mrs M made multiple phone calls and sent multiple emails to both Barclays and the solicitors Barclays had appointed, because they wanted the re-mortgage to complete as soon as possible. They followed the instructions they were given for the lump sum payment they wanted to make, and Barclays received it on 14 November 2022. But on 16 November 2022 a redemption statement was issued which didn't include that payment of almost £30,000.

Mr and Mrs M spent some time trying to find out why they were being asked to pay a shortfall of more than £30,000 before the re-mortgage could complete, and why they had been given conflicting information about the monthly mortgage payments, but they say no-one could explain what had happened.

In early December 2022 a revised redemption statement was issued, which did include the lump sum payment Mr and Mrs M had made. Mr and Mrs M say the solicitors told them they needed to pay an additional £2,022.96 to the solicitors direct in order for the new mortgage

to go ahead, so they did so on 6 December 2022. The mortgage completed on 9 December 2022.

Mr and Mrs M complained to Barclays. They questioned the figures they had been given and the need for solicitors to have been involved at all in what they thought should have been a straightforward interest rate switch. They said Barclays and the solicitors had caused delay and confusion which had resulted in financial loss to them, as well as considerable stress, upset, and wasted time.

Barclays said it had refunded an overpaid amount of £1,528.93 to Mr and Mrs M and that it would also refund the mortgage exit fee of £80. It offered to pay Mr and Mrs M £200 for any distress and inconvenience caused by its poor service.

Mr and Mrs M asked the Financial Ombudsman Service to look into their complaint. Our Investigator said that Barclays and the solicitors which were acting for it had caused avoidable delays and Mr and Mrs M had paid more interest on their mortgage than they should have done as a result. He recommended that Barclays refund that overpaid interest.

Despite reminders, Barclays didn't reply to the Investigator's assessment. Mr and Mrs M didn't say whether or not they accepted the Investigator's conclusions, but they had no more to add.

The complaint was referred to me. I agreed with our Investigator that this complaint should be upheld. However, I came to a different view about how the complaint should fairly be resolved, so I issued a provisional decision.

#### My provisional decision

I said:

##### "Term extension and re-mortgage application process"

Mr and Mrs M have said that they approached Barclays in order to take a new interest rate product on their existing Barclays buy-to-let mortgage, and to make a lump sum payment of an amount within the 10% overpayment allowance they had for that year which was unused. They have said that Barclays could and should have told them they could make their payment and then go online to complete a rate switch – avoiding the need for a lengthy application process at a time of volatile interest rates.

Barclays, on the other hand, has said that Mr and Mrs M also wanted a term extension, as well as a new interest rate product and to make a lump sum payment, and the term extension request meant it required them to go through its application process.

I can't be certain about what was said in Mr and Mrs M's initial discussions with Barclays. But it doesn't appear to be in dispute that their mortgage term was extended as a result of their re-mortgage application, from just under 16 years to 22 years. I think this is unlikely to have happened without Mr and Mrs M's agreement or without any discussion with Barclays, and Mr and Mrs M haven't complained that the new term is wrong.

The term extension is the reason why Barclays required Mr and Mrs M to go through an application process and provide details about their finances. I don't think that was unreasonable – I would expect a responsible lender to want to check the affordability and sustainability of the mortgage over the extended term, particularly, as in this case, where the term would take the borrowers past their intended retirement ages when their circumstances would be expected to change.

I don't therefore find that I can fairly conclude Barclays did anything wrong in asking Mr and Mrs M to go through a full application instead of an online rate switch. However, it's not clear why Barclays required solicitors to be involved in the re-mortgage. Mr and Mrs M were making some changes to their existing Barclays mortgage – they weren't new borrowers and this wasn't a new mortgage. It's also not clear whether Mr and Mrs M had to pay any fees for the solicitors or if so how much. If they did pay any such fees, I consider that Barclays should fairly refund them and pay interest on them.

Mr and Mrs M have said that they paid the solicitors £2,022.96 in early December 2022, at the solicitors' request. I understand that this wasn't a fee, but it was to cover the difference between the balance on the previous mortgage arrangement (once Mr and Mrs M's lump sum payment had been taken off) and the amount the new mortgage had been agreed for. It didn't, however, take account of the monthly mortgage payment Mr and Mrs M made on 5 December 2022. This led to Barclays refunding just over £1,500 to Mr and Mrs M after completion, because they had overpaid.

It's clear from what Mr and Mrs M have said to both Barclays and the solicitors that they were concerned about having paid too much. I think Barclays could and should have given them a clear explanation about what had happened, but it didn't do so – leading to avoidable worry and frustration for Mr and Mrs M.

#### Mr and Mrs M's lump sum payment

Mr and Mrs M wanted to make a lump sum payment to reduce their mortgage balance before a new interest rate product was in place. They have said their previous fixed interest rate product had an annual allowance of 10% of the balance for overpayments, and they hadn't used that allowance.

Both Mr and Mrs M and Barclays appear to agree that Barclays' adviser told Mr and Mrs M at the meeting on 8 October 2022 to wait to make the lump sum payment and to make it via the conveyancing solicitors. This is also reflected in the emails between the parties from around that time.

I see no reason why Mr and Mrs shouldn't have made the payment straight away, in October 2022, when they wanted to. Barclays has told us it doesn't know why they couldn't have done that either, and why they were told to wait. Had they made the payment when they wanted, the mortgage balance would have reduced at that time, and they would have paid less interest overall. Instead, they were told to wait for no obvious good reason – which led to the confusion with the payment not being reflected on the first redemption statement that was issued later.

I agree with our Investigator that Barclays should re-work Mr and Mrs M's mortgage in such a way that it reflects their lump sum payment of just under £30,000 having been made on 8 October 2022.

#### Delays

I'm satisfied that the delay in the lump sum payment being made was a direct result of Barclays' guidance to Mr and Mrs M, and this led to a delay in a correct redemption statement being issued. I'm also satisfied – and Barclays has accepted – that the solicitors caused some avoidable delays. I've already said that there seems to have been no need for the solicitors to have been involved at all. In any case, I consider that in this transaction the solicitors were acting for Barclays rather than for Mr and Mrs M – so Barclays is ultimately responsible for delays caused by the solicitors as its agents.

The mortgage offer was issued on 26 October 2022. But for the avoidable delays in Mr and Mrs M making their lump sum payment, the resulting wrong redemption statement, and the delays and lack of communication during the application process, I see no reason why the mortgage couldn't have completed on 3 November 2022 as Mr and Mrs M originally intended, the day after the fixed interest rate product ended. Had Barclays told Mr and Mrs M that they could pay the lump sum at the start of October and then dealt with their application in a timely way, I think it likely that things would have turned out differently and the new product could reasonably have started when Mr and Mrs M wanted. I also have in mind that there doesn't appear to have been any pressing need to arrange a term extension – this is an interest-only mortgage which already had some 16 years remaining on the term. The extension didn't affect the monthly mortgage payments, and it may be that if Barclays had explained how it would treat an application for a term extension alongside a rate switch at the outset, Mr and Mrs M would have chosen to do things differently.

In all the circumstances, I find that the fair outcome is for Barclays to re-work the mortgage as if the new interest rate product had been in place from 3 November 2022, and refund the additional interest Mr and Mrs M have paid.

#### Putting things right

I provisionally consider that the fairest approach to compensation is to require Barclays to refund the additional costs Mr and Mrs M incurred as a result of its poor handling of their mortgage application. I note that it has already refunded the £80 mortgage exit fee which it wrongly charged them.

Barclays has offered to pay Mr and Mrs M £200 for the distress and inconvenience they were caused as a result of shortcomings in its service. I agree that Mr and Mrs M should fairly receive some compensation for non-financial loss, but I don't consider that £200 goes far enough in the circumstances.

Mr and Mrs M had to spend a considerable amount of time on this re-mortgage application, and in particular on trying to find out what was happening, why things were taking so long, and why they were being asked to pay amounts that no-one had explained to them. Barclays' records say that Mr and Mrs M had to make almost 20 phone calls on one day, and that they spent almost 8 hours on the phone with it between 2 and 6 December 2022. Alongside the wasted time, I think it's clear that Mr and Mrs M found this whole process very stressful and frustrating. What they wanted to achieve with their mortgage was very simple, yet it took far longer than it should have done with multiple mistakes and confusion along the way. I consider that £400 is a fair award to reflect the impact on them of Barclays' mistakes and delays and those of the solicitors acting on its behalf.

So, to settle this complaint, I propose to require Barclays Bank UK PLC to:

1. Calculate how much extra interest Mr and Mrs M have paid on their buy-to-let mortgage as a result of their lump sum payment having been credited to the mortgage on 14 November 2022 instead of 8 October 2022;
2. Calculate how much extra interest Mr and Mrs M have been charged because their new interest rate tracker product completed on 9 December 2022 instead of 3 November 2022;
3. In respect of 1 and 2 above, give Mr and Mrs M the option of either:

- having the difference in interest refunded directly to them plus 8% simple annual interest from the date they made each payment of interest to the date of settlement; or
  - applying the refund to their mortgage account resulting in a balance reduction – this shouldn't count towards any yearly overpayment allowance Mr and Mrs M have without incurring an early repayment charge.
4. Reimburse any solicitors' costs Mr and Mrs M incurred in their re-mortgage, plus 8% simple annual interest from the date they paid these costs to the date of settlement.
  5. Pay Mr and Mrs M £400 compensation. Barclays may offset any compensation it has already paid for non-financial loss from this sum.

If Barclays considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from the 8% interest element of my proposed award, it should tell Mr and Mrs M how much it has taken off. It should also give Mr and Mrs M a tax deduction certificate if they ask for one, so they can reclaim the tax from HMRC if appropriate."

I asked Mr and Mrs M and Barclays to let me have any further evidence or arguments they wanted me to consider before I make my final decision.

Mr and Mrs M accepted my provisional decision and had no more to add.

Barclays also accepted my provisional decision. It also said it would refund solicitors' costs as I had proposed at point 4 as a goodwill gesture to settle the case at this stage.

### **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.

Having done so, and given that both parties have accepted my provisional conclusions, I see no reason to change my provisional decision.

Barclays has said it would refund solicitors' costs as I provisionally concluded it should, but it has specified that this would be a goodwill gesture at this stage. It hasn't explained its reasons for telling us this. I explained in my provisional decision that I could see no reason for solicitors needing to have been involved in this transaction at all and that Barclays is responsible for the solicitors' delays. I said that, provisionally, it would be fair for Barclays to refund the solicitors' costs to Mr and Mrs M, and pay interest on those costs. Barclays' further comment doesn't lead me to change my view about that. If Mr and Mrs M accept this final decision, it will be binding on Barclays – including the requirement that it refund the solicitors' costs and pay interest on those costs.

I confirm my provisional decision.

### **Putting things right**

To settle this complaint, I require Barclays Bank UK PLC to:

1. Calculate how much extra interest Mr and Mrs M have paid on their buy-to-let mortgage as a result of their lump sum payment having been credited to the mortgage on 14 November 2022 instead of 8 October 2022;

2. Calculate how much extra interest Mr and Mrs M have been charged because their new interest rate tracker product completed on 9 December 2022 instead of 3 November 2022;
3. In respect of 1 and 2 above, give Mr and Mrs M the option of either:
  - having the difference in interest refunded directly to them plus 8% simple annual interest from the date they made each payment of interest to the date of settlement; or
  - applying the refund to their mortgage account resulting in a balance reduction – this shouldn't count towards any yearly overpayment allowance Mr and Mrs M have without incurring an early repayment charge.
4. Reimburse any solicitors' costs Mr and Mrs M incurred in their re-mortgage, plus 8% simple annual interest from the date they paid these costs to the date of settlement.
5. Pay Mr and Mrs M £400 compensation. Barclays may offset any compensation it has already paid for non-financial loss from this sum.

If Barclays considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from the 8% interest element of my award, it should tell Mr and Mrs M how much it has taken off. It should also give Mr and Mrs M a tax deduction certificate if they ask for one, so they can reclaim the tax from HMRC if appropriate.

### **My final decision**

My final decision is that I uphold this complaint and I require Barclays Bank UK PLC to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M and Mr M to accept or reject my decision before 30 May 2024.

Janet Millington  
**Ombudsman**