

The complaint

Mr R and Ms S complain that they took out a five-year fixed interest rate mortgage with Barclays Bank UK PLC, but the fixed rate doesn't run for five years.

What happened

Mr R and Ms S applied for a mortgage with Barclays in July 2019. On Barclays' recommendation, they applied for a "five-year" fixed interest rate product of 2.05%. Barclays approved their application and issued a mortgage offer on 10 July 2019. The mortgage completed in mid-September 2019.

Mr R and Ms S say they recently realised that their fixed interest rate is set to end on 31 July 2024, and this isn't what they signed up to – they expected a fixed rate for five years, not four years and ten months. They want the rate to be fixed until 30 September 2024.

Mr R and Ms S complained to Barclays. Barclays sent them a brief resolution letter which Mr R and Ms S considered unsatisfactory. They referred their complaint to the Financial Ombudsman Service.

Our Investigator didn't recommend that the complaint should be upheld. He said the mortgage offer was clear that the fixed rate would end on 31 July 2024.

Mr R and Ms S didn't accept that conclusion and asked for an Ombudsman to make a decision.

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.

The terms of the mortgage that Mr R and Ms S and Barclays agreed to are set out in the mortgage offer dated 10 July 2019. The mortgage product is described as "5Yr Fixed 2.05%". The offer document also says:

"2. Main features of the loan

Amount and currency of the loan to be granted: £520,000.00

Duration of the loan: 34 years

This is a repayment loan of £520,000.00 on a fixed rate that will apply from completion until 31 July 2024.

After 31 July 2024 the rate that will apply is a variable rate [...]"

On the following page of the offer, at section 3, headed "**Interest rate and other costs**", it says:

“Interest rate(s)

Step 1: A loan of £520,000.00 on a fixed rate of 2.05% that will apply from completion until 31 July 2024.”

The offer also says, as Mr R and Ms S have pointed out, that they would be making 60 payments at the fixed rate. That, however, was on the basis of the mortgage starting on 1 August 2019 – which is also clearly set out in the offer, under “**5. Amount of each instalment**”, which says: “These payments are based on a loan amount of £520,000.00 and assume the mortgage will start on 01 August 2019”.

While the product is described as a “five-year fixed rate”, I’m satisfied that the 31 July 2024 end date for the fixed rate is clear and prominent in the mortgage offer. When Mr R and Ms S applied for this particular product, there were in fact more than five years left to run on it. The exact length of time for which a borrower would have the fixed rate was dependent on the mortgage completion date. Had Mr R’s and Ms S’s mortgage completed earlier, they might have had the full five years, or more, at the fixed rate. The end date of the product, however, remained the same at 31 July 2024.

This arrangement was not unusual at the time Mr R and Ms S took out their mortgage, and I don’t consider that it was unfair or that Mr R and Ms S were misled. The rate end date was clear in the offer, and Mr R and Ms S accepted the mortgage on the basis of that offer. And even if I were to find that Barclays didn’t make that clear, I don’t think it would make any difference to the outcome of this complaint. That’s because Barclays didn’t have any rates available which ran for exactly 60 months from completion. So if Mr R and Ms S wanted a rate that ran for around five years – rather than, for example, a two-year rate – they would always have ended up with the rate they actually took.

Finally, Mr R and Ms S have said they’re unhappy with Barclays’ response to their complaint. Barclays sent them a very brief resolution letter, having apparently misunderstood that it had resolved their complaint over the phone. I think that was unhelpful, but I don’t find that Mr R and Ms S have suffered any detriment as a result. I therefore make no order or award.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R and Ms S to accept or reject my decision before 14 December 2023.

Janet Millington
Ombudsman