

The complaint

Mr D complains about the failure by Barclays Bank UK PLC to get the funds from a pension policy to pay off his mortgage.

What happened

Mr D had an interest-only mortgage with Barclays from 1993 which matured on 31 May 2022. I understand the outstanding balance to be just over £60,000. The repayment vehicle was a pension and Mr D had a pension provider that I shall call Firm A. The mortgage special conditions required Mr D to take out such a policy and allowed Barclays to approach the provider to ask for the funds on the mortgage's maturity although the policy wasn't assigned to Barclays.

Barclays says it wrote to Firm A in May 2022 asking it to release the money due on the mortgage. It then wrote to Firm A again on 15 August and 8 November, getting a reply dated 15 December 2022. Firm A said that it didn't have a policy assigned to Barclays and Barclays hadn't given it the policy number. In the meantime, Barclays said it tried to contact Mr D on 5 July and spoke to him on 15 July and again on 28 July when Mr D wanted to know why the account balance was increasing.

Mr D complained and Barclays issued a final response on 13 September 2022 telling Mr D that a letter had now been sent to Firm A claiming the money on 13 August 2022 and telling him that no interest was being charged to him. It accepted that it had not managed the account in a professional and efficient manner and offered Mr D £400 by way of apology. Since then, Barclays received a letter from Firm A dated 15 December 2022 saying that it was unable to find a policy for Mr D and says it tried to contact Mr D but got no response.

Our investigator said that Barclays had tried to make contact with Firm A and when it heard back from them, it had tried to contact Mr D at the end of December and could demonstrate that. As it was Mr D's responsibility to repay the mortgage and he hadn't done that, our investigator thought that Barclays offer of compensation for its earlier failure to deal with the issue promptly was a fair outcome. Mr D disagreed saying in summary that the letter of September 2022 told them that no interest was being charged and they had no contact from Barclays from the letter in September until they got a field agent's visit in May 2023.

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.

In this complaint it seems to have been hoped by both Barclays and Mr D that a pension policy held with Firm A would be able to pay off the outstanding balance on this interest only mortgage when it matured in May 2022. In fact, this didn't happen, and Mr D has as yet been unable to pay it off. I believe the difficulty arises due to the complexity of using a pension as a means of paying off an interest only mortgage and that Mr D is taking advice from an independent financial adviser about that.

But the assumption appears to have been shared between Mr D and Barclays that on maturity, Barclays could ask for the proceeds of the policy from Firm A and that Firm A would pay and that would pay off the whole of the mortgage or a substantial part of it. But it hasn't been paid. That means that the loan is outstanding and if a loan is outstanding interest would continue to accrue on it until it is paid off. That's the normal position.

Mr D considers that unfair because of the delays in the communications between Barclays and Firm A. But also because of a letter dated 13 September 2022 when Barclays said that *"no interest is being charged to you"*. The context of that letter is that Barclays said that, after a delay, it had sent a claim letter to Firm A and Barclays was waiting for Firm A to get in touch with the bank *"so the mortgage can be redeemed"*. In the meantime, the mortgage was *"on a paid off status and the direct debits have stopped which means no interest is being charged to you"*. The letter goes on to say that because of the delay its offering £400 compensation by way of apology. As the mortgage hasn't been redeemed, I would expect interest to accrue on the account. The reference to no interest being charged appears in the context of the direct debits being stopped so that, pending the mortgage being redeemed, Barclays aren't collecting the monthly interest payments. In that sense Mr D isn't being charged interest although the interest will accumulate and be added to the account and paid off on redemption.

I accept that the wording of this could letter could be clearer. But why would Barclays waive its entitlement to interest when it hadn't yet been paid? It accepted it made an error in delay in the correspondence with Firm A, but its offer of compensation was to pay £400 and not to write off the remaining interest. The problem for Mr D is that Barclays is entitled to the interest whilst the loan is outstanding. Although the letter of 13 September 2022 can be interpreted in several ways, Barclays says that it didn't intend to waive its entitlement to interest and if that is the case the interest remains due. An argument could be made that Mr D was under the misapprehension that the interest wouldn't be charged and that he would have acted sooner to discharge the mortgage had he known interest was still accruing. But Mr D has known for some time that interest would be charged, and he's still been unable to redeem the mortgage, so I don't accept that acting on this misunderstanding caused him financial loss.

There is an issue in this complaint where there seems a lack of communication between Mr D and Barclays between September 2022 and May 2023. Barclays says it tried to contact Mr D in December by phone after it got its response from Firm A. It's clear that until September Mr D was in regular contact with Barclays but then his contact ceased. From reading the September letter I believe it would be reasonable for him to assume that Barclays was trying to contact Firm A about the policy. But Mr D wouldn't have known whether this policy would be enough to pay off the mortgage, but he appears to show no further interest in this until he was contacted in May. Although Mr D blames Barclays for the lack of contact, he's ultimately responsible for paying the money off, and that money was due in May 2022. It would have been reasonable for him to make contact with Barclays to see how the attempts to get the money from Firm A was progressing and indeed how much it was expected would be raised from the policy to ascertain if there was to be a shortfall.

The other issue is one of delay and whether it caused any financial loss? The problem for Mr D is that he's not yet in a position to pay off Barclays because of the complexity of the repayment vehicle. Barclays accepts that there was an initial delay in it dealing with the matter, but it then didn't receive a reply from Firm A until December at which point it tried to get through to Mr D. Any delay in Barclays correspondence with Firm A in the Autumn of 2022 had no effect on the discharge of the mortgage as Mr D appears to require some further time to pay it off because of the tax implication of using his pension to do so. Mr D refers to payments being made in the next tax year. So, the delay in Barclays initial correspondence hasn't impacted the speed at which this mortgage could be discharged.

But I accept that the delay at the start when Mr D believed the mortgage could have been paid off was concerning for him. Mr D should receive compensation for that. On reviewing the complaint, I believe that the £400 offered by Barclays represents fair compensation. In the meantime, Mr D has a problem in that the mortgage is post maturity and not been paid off. I would hope that Mr D and Barclays can come to an agreed solution so that the mortgage can be redeemed in a reasonable period given that the repayment vehicle is more complex than originally thought. I note that in his email to us of 16 August 2023, Mr D spoke about talking to Barclays about a repayment schedule which seems sensible.

My final decision

Barclays Bank UK PLC has already made an offer to pay Mr D £400 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Barclays should pay Mr D £400 if it has not already done so,

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 January 2024.

Gerard McManus
Ombudsman