

The complaint

Mr K1 and Mr K2 have complained about the way Barclays Bank UK Plc administered an interest rate switch to 3.13% on their mortgage account. They say that Barclays only put through the rate switch on sub-account 1 of the mortgage, whereas they also wanted it to apply to sub-account 2.

To settle the complaint Mr K1 and Mr K2 would like Barclays to apply the 3.13% switch to both sub-accounts on the mortgage, refund the product fee and compensate them for distress and inconvenience.

Mr K1 has dealt with the complaint throughout.

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 every detail here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr K1 and Mr K2 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.

Mr K1 and Mr K2 have a mortgage with Barclays which is in two parts. The main account of about £238,000 ends with numbers 8917. There is also a home improvement loan of about £103,000 ending 9230. At the relevant time, both parts of the mortgage were on fixed rates which were due to expire in January 2023. Barclays allowed customers to reserve a new rate before the old one expired.

In late September Mr K1 and Mr K2 applied online for a new interest rate product, a two-year fixed rate of 3.13%, but inadvertently only requested this for account 8917, although they input the full amount of the total mortgage. An email confirmation was sent by Barclays acknowledging the application, quoting account ending 8917. Documents were sent for signature, which Mr K1 and Mr K2 signed and returned.

Because of administrative delays at Barclays, Mr K1 and Mr K2 didn't receive the confirmation for the rate switch for several weeks, until November 2022 and had to chase this up several times. When they received the rate switch offer, Mr K1 and Mr K2 realised that the 3.13% rate applied only to the 8917 part of the mortgage, whereas they'd intended to switch both parts of the mortgage to that rate.

By this time the 3.13% rate was no longer available. Mr K1 and Mr K2 decided to switch the 9230 part of the mortgage to a two-year tracker rate at 0.5% above Bank of England base Rate.

Mr K1 and Mr K2 complained. They believed Barclays should, on receipt of the application, have contacted them to alert them that they'd only applied to switch one part of the mortgage. Mr K1 says that he had assumed he was applying for the new rate on both parts

of the mortgage and that *“any reasonable person would agree that it should have been highlighted that the renewal only affected the first part of my mortgage and not the second”*.

Barclays didn't uphold the complaint. The bank acknowledged that the rate switch documentation took some time to complete, partly due to pressure of work and partly because there had been an issue with the postcode on record not matching the documentation provided by Mr K1 and Mr K2. (This was quickly resolved, as the property had previously been allocated a temporary postcode as a new build, but now had a permanent postcode. Nothing turns on this.)

Barclays didn't think it had made any error in the rate switch application. The bank said that Mr K1 and Mr K2 had applied for only one part of the mortgage to be switched to the 3.13% rate, and the confirmatory email had quoted the account number.

Mr K1 and Mr K2 brought their complaint to our service. An investigator looked at what had happened but didn't think the complaint should be upheld. She was unable to find that Barclays had made an error. In addition, the investigator was satisfied that Mr K1 and Mr K2 had received an email from Barclays confirming that the product switch applied only to account 8917.

Mr K1 disagreed with the investigator. He said that Barclays should have checked the application and realised that he and Mr K2 had incorrectly assumed they were applying for the rate to be applied to both accounts, and corrected this. Mr K1 also said that Barclays had promised on numerous occasions to honour the 3.13% rate for account 9230.

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, I'm afraid I have disappointing news for Mr K1 and Mr K2; I'm not upholding their complaint. These are my reasons.

At the time of the application in late September 2022 mortgage lenders received an unprecedented number of applications for rate switches. This was as a result of the mini-budget that had taken place on 23 September 2022, which resulted in some turmoil in the financial markets and a sharp rise in interest rates. This was outside the control of Barclays, and led to delays across all financial services businesses – not just Barclays – in processing applications for new products.

The online application for the mortgage renewal submitted by Mr K1 and Mr K2 was only in relation to account 8917, and the acknowledgement email received shortly after the application was submitted quoted only this account number. I'm satisfied Mr K1 and Mr K2 knew their mortgage was in two parts, and if they had put both account numbers on the application, I'm satisfied that they could have switched both parts of the account to the 3.13% rate. I acknowledge that they might have assumed they were switching both parts of the mortgage, but they received an email confirming that the application applied to only the 8917 part of the mortgage.

I'm also not persuaded by Mr K1's argument that Barclays was under any obligation to assume that the rate switch should have applied to both parts of the account and corrected this without reference to him and Mr K2. First of all, the application was submitted online, and so processing of the application would largely be done electronically. I can see that the application needed staff intervention because of the postcode issue highlighted above. However, that doesn't persuade me that Barclay should have second-guessed what Mr K1

and Mr K2 wanted and switched both parts of the account where they had only applied for one part to be switched.

I say this because the 3.13% fixed rate came with an early repayment charge (ERC). Account 9230 was a separate loan in its own right on a fixed rate with an ERC, with the existing rate expiring in January 2023, following which it would not be subject to an ERC if it hadn't been switched to a new interest rate product.

Barclays was not to know – and couldn't be expected to know, or to guess – whether or not Mr K1 and Mr K2 might be intending to pay off this part of the mortgage, waiting until after the ERC expired, or to make unlimited overpayments to which no ERC would apply I'm satisfied, therefore, that it would have been wrong for Barclays to have made an assumption and switched the entire mortgage onto a new fixed rate, without specific instructions to do so.

I've listened to the available call recordings, and these do not show that Barclays told Mr K1 that the bank would honour the 3.13% rate for the 9230 part of the mortgage. I'm not persuaded, therefore, that Barclays is under any obligation to switch the 9230 account to that rate.

My final decision

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

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 Mr K and Mr K to accept or reject my decision before 6 November 2023.

Jan O'Leary
Ombudsman