

The complaint

Mr and Mrs H complain about the administration of their Offset mortgage by Barclays Bank UK PLC.

What happened

Mr and Mrs H have an Offset mortgage with Barclays since 2010 which was part repayment, part interest only. In October 2022 they contacted Barclays by phone to ask why their monthly statements gave an overpayment balance of about £110,000.00 when they had paid off over £450,000.00 from the original sum borrowed. They then tried to get a response from Barclays but were unable to get one despite promises of call-backs. They found that the information they were getting from Barclays was contradictory such as being told that there was a balance of £439,500 still owed when the actual amount was less than £300,00.00 and were told that this would be rectified but then they got a letter asking them as to how they were going to pay off the outstanding £439,500.00. Mr and Mrs H believe that the system changed in October 2022, and they are suffering as a consequence.

Mr and Mrs H would like the mortgage properly calculated with the offset amounts and Barclays should explain why they show an overpayment figure which bears no relation to the amount overpaid, why they still have the original interest only part of the mortgage unchanged despite the amount of overpayment and apologise for the failure to return calls as promised, link recorded calls with the customers' account and compensate them properly for the over 6 months of annoyance and time wasted on this matter.

In February 2023 Barclays responded to Mr and Mrs H's complaint to say that there was an overpayment on the account of £114,530.33, and the outstanding balance at that time was £285,900.00 and the repayment side had been paid off. The letter went onto respond to various queries that Mr and Mrs H had raised into the working of the offset mortgage and confirmed that the terms of the mortgage had not changed but that interest rates had and as this was an offset mortgage that would have an effect on what monies were being collected each month. Barclays recognised that the customer's experience in not getting return phone calls and getting confusing information was poor and offered Mr and Mrs H compensation of £200. It also commissioned a manual calculation of Mr and Mrs H's mortgage from inception.

Our investigator reviewed the account and Barclays offset brochure and its manual calculation and said that in his view the account was properly administered; that the overpayments were correctly dealt with; that the repayment portion of the mortgage had been repaid, that the mortgage statement and the revised payment notice sent in October 2022 confirmed the correct outstanding balance ; that the offset benefit was changed in October 2022 to reduce the monthly payments as discussed in a phone call with Mr H. Our investigator agreed with Mr and Mrs H that in relation to the calls with Barclays that there was poor customer service and that a payment of £200, offered by Barclays, represented a reasonable solution to this complaint. Mr and Mrs H disagreed and asked for a review.

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.

Mr and Mrs H have an Offset part interest only, part capital repayment mortgage. This is a more complex mortgage product, based on offset of interest between monies held in Mr and Mrs H's various savings accounts and their mortgage balance. Before October 2022, I understand that the Offset savings were used to reduce the capital balance but after they made a call at that time to enquire about the overpayment balance, Mr and Mrs H indicated that they wanted the offset savings used to reduce the monthly payments. That was done and thereafter the monthly payments have been reduced.

During that call in October the mortgage adviser working in mortgage services indicated that this was a complex mortgage and so she would get someone with knowledge of the area to contact Mr and Mrs H to address their concerns but that was never done. Since then, there has been a lot of correspondence generated in relation to Mr and Mrs H's concerns about how this mortgage operated. I can't help but think that this complaint could have been avoided had Barclays got someone with knowledge of the operation of Offset mortgages and Mr and Mrs H's account to contact him to discuss his concerns about the operation of the account back in October. I can see that the final response letter dated 28 February 2023 tries to address those issues but that is three months after the call back was promised and led to more queries being raised.

I have looked at Mr and Mrs H list of concerns about how the Offset mortgage operated, the brochure illustrating how the product works, the response from Barclays to the points they raised, the manual workings on the account from inception, the further queries from Mr and Mrs H and our investigator's clarifications. Based on that evidence I conclude like our investigator that this mortgage is operating as it was intended to. But after our investigator issued his view, Mr and Mrs H raised the issue that although their account was completely offset, Barclays was still in some months charging them interest and that couldn't be right.

I raised this with Barclays, Barclays refers me to the offset brochure and also information they've given before. The contractual monthly payment ("CMP") is calculated at one twelfth of the annual interest. Each month Barclays will require the CMP to be paid. The Offset Benefit is calculated on the number of days in a month so there will be a mismatch between the number of days in the month and the relevant days for the interest calculation which is 30.4. But over the full twelve-month period Barclays says that Mr and Mrs H will receive full benefit of interest on balances they have offset.

This will mean that Mr and Mrs H will not be charged interest on the account but because March, July, October and December follow months with less than 31 days, the 28-30 days of Offset Benefit isn't sufficient to fully offset the CMP for these months and a payment would be collected – the payment being the difference between the CMP for that month and the Offset Benefit calculated for the previous month. But because Mr and Mrs H are fully offsetting, no interest is charged and that small payment which Mr and Mrs H see in their account, goes to reduce the mortgage balance. That being so, it seems to me that the account is operating as it should.

I believe that the problems that Mr and Mrs H have with how the mortgage operates arises out of the change to the mortgage they requested in October 2022 which meant it was operating differently than they had experience of before, and the failure by Barclays to return the enquiry call they asked for. The issue was then treated as a complaint about the failure to respond to the call, but the response call wasn't made and then the issues were addressed in writing. Since this complaint was made Mr and Mrs H have raised a number of reasonable questions about the operation of the account which have been addressed to our investigator and I note he has responded on occasions from his own experience - as in his email of 21 June 2023 - and at other times after obtaining the information from Barclays. I

acknowledge Barclays efforts to demonstrate that the account is operating in accordance with its terms.,

But these are really questions that should be directed to Barclays and Barclays should respond directly to Mr and Mrs H with a person familiar with how offset mortgages operate. I would hope that would be the case in the future otherwise I anticipate if Mr and Mrs H don't receive responses to their reasonable enquiries it may give rise to a further complaint. For the present case, my view is that from the evidence I've seen that the Offset mortgage is operating in accordance with its terms but that there has been poor communication by Barclays in responding to Mr and Mrs H's reasonable questions about its operation.

Mr and Mrs H as they say, are not accountants, and have needed assistance in understanding the information they are being presented with. Whilst nothing seems to have gone wrong with the account and it has been operating as Mr and Mrs H wanted it to work for many years, the absence of a satisfactory channel of communication for Mr and Mrs H to raise their concerns has caused them an amount of inconvenience. I have to assess the degree of this at the time the complaint was made as following the complaint, Mr and Mrs H's questions to Barclays have been directed through the channel of this service as the complaint is ongoing and Barclays has responded to the questions we have put to them. So, I've to look at the level of inconvenience arising from the issues concerning the original complaint. Because of that I assess that Barclays should pay £200 compensation to Mr and Mrs H.

My final decision

Barclays Bank UK PLC has already made an offer to pay Mr and Mrs H £200 to settle their complaint and I think this offer is fair in the circumstances. So, my decision is that Barclays Bank UK PLC should pay Mr and Mrs H £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 8 May 2024.

Gerard McManus
Ombudsman