

## **The complaint**

Ms T complains about how Barclays Bank UK PLC has managed her mortgage account during a period of financial difficulty. Overall, she feels Barclays is being unsupportive to her circumstances.

Ms T disputes her mortgage balance, saying that despite making payments for around 20 years the balance hasn't reduced as it should. She is also unhappy that Barclays is reporting what she considers to be inaccurate information about her mortgage account to credit reference agencies ("CRA").

## **What happened**

In 2002 Mrs T took a residential mortgage with Woolwich. She borrowed around £58,500 on capital repayment terms. The mortgage later transferred to Barclays and in 2006 Ms T borrowed a further £39,384 – again on capital repayment terms.

The mortgage comes with a related product, the mortgage current account (MCA). The MCA is a secured overdraft facility. Barclays has provided us with little information about the MCA, but generally they tend to work like this: as capital is repaid off the mortgage, the overdraft limit on the MCA increases by the same amount, due to what Barclays calls 'rebalancing'. The MCA operates on an interest-only basis. Interest is usually charged as a margin above the Bank of England base rate.

The overdraft becomes immediately repayable in full when the related mortgage account is repaid – either when the mortgage reaches the end of its term or if the mortgage is repaid sooner (for example, on sale or re-mortgage of the property).

Ms T was maintaining her mortgage payments until around 2015. As such she had paid off some of the capital on her mortgage and in return the overdraft limit on her MCA increased by the same amount. Unfortunately, Ms T started to experience financial difficulty which impacted her ability to maintain her mortgage payments. From around 2015 arrears started to accrue on her mortgage and she was also borrowing against her MCA.

Barclays said that following the outcome of a panel review in late 2018, to help make the mortgage more affordable for Ms T, it merged her MCA balance (which at the time was £26,979) with her main mortgage. This was so that Barclays could apply a lower fixed interest rate of 2.12% for one-year across all her borrowing. Barclays also switched the mortgage account to interest only.

Ms T continued to experience financial difficulty and further panel reviews took place to assess her circumstances and agree ways of helping her to get her account back on track. It appears that in around 2021 she was intending to sell her property as a way of repaying the mortgage and the arrears. This didn't happen and the account remains in arrears to date.

In Mid-2021 Ms T raised a complaint with Barclays, almost identical to the one she's raised now with our service. Barclays issued its final response letter in June 2021 – explaining the reason for the increased balance of Ms T's main mortgage account – that being the merger

of the MCA and the switch to interest only. The letter explained the additional efforts made to agree a way forward on the account and Barclays encouraged Ms T to get in touch to discuss her options further. Barclays explained that because the account has remained in arrears since 2015, it has correctly reported the outstanding arrears to the CRA's.

Unhappy with Barclay's response, Ms T brought her complaint to our service. An investigator looked into things and issued her response to the complaint in April 2022. The complaint wasn't upheld. Ms T didn't respond to the investigator or ask for a final decision from an Ombudsman, so the case was closed.

In early 2023 Ms T raised this complaint. Barclays issued a further final response letter dated 9 March 2023 - largely covering the same ground as its previous response.

Ms T remained unhappy and brought her complaint to our service again. A different investigator looked into things. The investigator started off by explaining why it would be inappropriate for our service to revisit any of the points that formed part of Ms T's initial complaint. And she explained why she could only consider any complaint about events that occurred after Barclays issued its previous final response letter in June 2021 and up until the new complaint was answered in March 2023.

The investigator didn't uphold the complaint explaining why she thought that Barclays had treated Ms T fairly and shown willingness to work with her to help get the mortgage back on track. She didn't find anything to suggest that the mortgage account hasn't progressed as it should've considering the circumstances or that Barclays had incorrectly reported data to the CRA's.

Ms T didn't agree with the investigator. She couldn't understand why her 2017 annual statement shows a mortgage account balance of approx. £36,000 on capital repayment terms. She says since then, the balance has increased, and her account was switched to interest only without her agreement or consent. She doesn't agree that Barclays had made several unsuccessful attempts to contact her to discuss the account. She says it's her efforts to make contact with Barclays that have been in vain.

The investigator reconsidered Ms T's points but explained why her opinion remained unchanged. Because an agreement hasn't been reached, the case has been passed to me to decide.

### **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.

I've recently had a meaningful conversation with Ms T on the phone. I thank her for her time and willingness to discuss matters with me. I explained the limitations of our service being able to reconsider matters that form part of her earlier complaint. She understood. I did explain that whilst I would not be making a finding on any historic points, I was able to remind her of our previous response to these complaint issues and help clarify a few things to help her understand how the mortgage has operated to date and why Barclays is reporting information to the CRA's in the way that it is. In this decision, I'll focus my determination only on new events that don't form part of Ms T's previous complaint.

### Background

#### *Outstanding debt*

Ms T disputes her current mortgage balance, and the amount Barclays says she still owes.

- Ms T has borrowed a total of around £98,000 from Barclays – in two parts. Her original mortgage in 2002 was for £58,500 and in 2006 she borrowed a further £39,384 for debt consolidation.
- The mortgage came with a current account overdraft facility that Ms T was using. By 2018 the balance of her outstanding overdraft was £26,979
- So as of 2018 Ms T owed Barclays around £88,000 broken down as:
  - £37,700 on her main mortgage
  - £27,000 on her MCA
  - £23,000 on the further borrowing sub account
- So, whilst the capital on the mortgage accounts have reduced over the years, Ms T did also borrow on the MCA. This was consolidated to the mortgage account which made the mortgage balance increase. As of 2018, the MCA should have had a zero balance.

#### *CRA reporting*

Ms T can't understand why, despite making some payments towards her mortgage over the years, her credit file was still showing missed payments from 2017.

- Because the account remains in arrears, until the arrears balance (currently around £12,000) is paid in full, or the debt is consolidated the account will continue to show as being in arrears. And according to the credit report Ms T's provided, the only suitable way the CRA can report this is though "X for missed payments", as no other options are suitable. This will be the case even if some payments are made.
- Adverse credit information remains on a credit record for six years so historic arrears will likely impact her ability to get credit elsewhere.

#### *Switch to interest only*

Ms T says she did not consent to a switch to interest only in 2018.

- Barclays said that following the outcome of a panel review in late 2018, to help make the mortgage more affordable for Ms T, it merged her MCA balance (which at the time was £26,979) with her main mortgage. This was so that it could apply a lower fixed interest rate of 2.12% for one-year across all her borrowing. Barclays also switched the mortgage account to interest only. It was agreed that if Ms T maintained her contractual payments for 12 months, Barclays would consider capitalising the arrears. The payments were largely made but not always on time.
- The details I have of the next panel review taking place was in June 2022. An affordability assessment was carried out showing a monthly disposable income of £57.53. Barclays put an arrangement in place for Ms T to pay her contractual monthly payments plus an extra £57 towards her arrears. From the information available to me it appears the agreement was maintained, and another panel review was due in July 2023. This arrangement is being reflected accordingly on Ms T's credit file.

- Ms T feels the switch to interest only was to her detriment. This again forms part of her initial complaint so I can't comment again on whether Barclays acted reasonably when switching her account to interest only. But I was able to help her understand that based on the declared affordability assessment at that time and with a disposable income of £57.53 whilst on interest only – it doesn't appear capital repayment was affordable for her. If she'd remained on capital repayment at that time, it's likely she'd have fallen into even further financial difficulty due to the increased arrears – including additional interest, and fees and charges applied.

I do hope the explanation I have given will help Ms T to better understand the position of her account to date and help her to draw a line under these issues. As explained the key finding I'll be making here is in terms of next steps to help Ms T get her account back on track and to ensure she's receiving the right support from Barclays.

### Next Steps

As explained, my decision is limited to being able to consider the forbearance options Barclays has offered Ms T since Ms T's last complaint was responded to by our service in April 2022.

When Ms T brought this complaint to our service, she was on a payment arrangement. That arrangement has since ended in July 2023 and it's not clear what review, if any, has taken place by Barclays to reassess Ms T's current circumstances.

I understand there has been some communication issues amongst the parties. Ms T has evidenced calls she has tried to make to Barclays, and she has explained that despite being clear that due to her job she is completely uncontactable at certain times, she still receives calls at inconvenient times that she can't take.

Ms T is aware that she needs to contact the Specialist Support team (SST) on 0333 202 7418 as they're best placed to help her to discuss her available options and next steps. Ms T says she will make some time to call Barclays. If Barclays needs to call Ms T back for any reason, or follow up calls are needed, I do expect Barclays to adhere to the agreed time provided by Ms T (so long as these are within reasonable business hours) to ensure smooth communication.

I expect Barclays to treat Ms T fairly, by discussing her circumstances with her to try to get the mortgage back on track. Any future plans will need to be agreed between the parties themselves. Barclays isn't reasonably expected to offer a concession without first going through Ms T's circumstances, as it could be irresponsible for it to do so. Without reviewing Ms T's circumstances, Barclays may be risk of agreeing to something that might be inappropriate or unaffordable for her.

But the onus doesn't stop entirely with Barclays. Ms T also needs to engage meaningfully with Barclays about her circumstances, and supply any reasonable evidence it requests, such as detailed information about her income and expenditure and potentially pay slips or similar evidence of her income.

Although Barclays can't dedicate a single point of contact to the case, it has provided the telephone number for its SST for Ms T to make contact. As such I encourage Ms T to make contact in the way described. She is aware that it's her responsibility to directly communicate any suitable proposals and Barclays is required to consider all of the possible concessions available in light of Ms T's current circumstances – even those that may have previously been considered to be unsuitable – as things have since changed.

Once the parties have engaged, proposals have been fairly considered and Barclays has made its decision regarding next steps for the account, if Ms T remains unhappy, then she can potentially complain again. I do hope that it won't come to that as both parties appear to be keen to agree a way forward. I must also remind Ms T that if further complaints are referred to our service - we will only be able to consider events from the date of this final decision onwards.

### **My final decision**

My final decision is that I don't uphold this complaint because based on the limited part of Ms T's complaint that I'm able to consider, I can't reasonably say at this stage that Barclays has acted unfairly or unreasonably in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 13 November 2023.

Arazu Eid  
**Ombudsman**