

The complaint

Mr and Mrs D complain that Barclays Bank UK PLC didn't apply an overpayment to their account correctly.

What happened

Mr and Mrs D have a mortgage with Barclays. They say an overpayment of about £3,700 was paid into their mortgage account in 2018, but this wasn't correctly applied to reduce their mortgage balance.

Our investigator said Barclays had applied overpayments to Mr and Mrs D's account correctly. He said the 2018 annual statement caused confusion, as it showed the payment debited and re-credited. This was due to Mr and Mrs D contacting Barclays after making the overpayment to ask that it was used to reduce their monthly payment rather than the term.

Mr and Mrs D didn't agree, and asked that an ombudsman re-consider the complaint.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr and Mrs D took out a mortgage with Barclays in 2008, with a 10-year fixed rate product. This expired in July 2018. Barclays sent a letter to Mr and Mrs D at the end of July 2018 with their mortgage balance (about £44,000) and their new monthly payment of £547.

Mr D called Barclays in August 2018. He said he was struggling financially and had expected their new monthly payment to be lower. Barclays told Mr D it could re-apply their overpayments as a part redemption which would reduce the contractual monthly payment.

Barclays said Mr and Mrs D had made numerous overpayments over the years. It says their overpayments reduced the mortgage balance at the time they were made. However, it doesn't always re-calculate monthly payments to take account of overpayments.

Continuing to make the same monthly payments would have resulted in the mortgage being paid off more quickly. In effect, Mr and Mrs D were making further small overpayments each month. But in mid-2018 Mr and Mrs D were struggling with their finances and wanted to reduce their monthly payments. Barclays agreed that the overpayments would be used to reduce their monthly payments.

Barclays process to use overpayments to reduce monthly payments is to apply the overpayments as a part redemption. Mr and Mrs D had already made overpayments, which had reduced the mortgage balance when they were made. So Barclays debited the amount of the overpayments from their mortgage balance and credited the same amount as a part

redemption. So the mortgage balance didn't change, and this was correct.

Barclays wrote to Mr and Mrs D in early August 2018, after the overpayments had been applied as a part redemption. It set out the balance (about £44,000) and the new monthly payment of £504. So the process worked correctly, in that Mr and Mrs D's monthly payments were lower.

In the letter, Barclays said it had received a payment of £3,700. It seems Mr and Mrs D thought this was a new payment made by the Department for Work and Pensions. This might have caused the confusion that led to this complaint.

Mr and Mrs D had also been discussing payments from the DWP with Barclays at about this time. However, they haven't provided evidence the DWP did make a payment of £3,700 in August 2018. Based on the available evidence, I think £3,700 was the total of the overpayments made into Mr and Mrs D's account over the years. I don't think Barclays received a further payment which it failed to apply to Mr and Mrs D's mortgage.

Putting things right

Barclays offered £250 to Mr and Mrs D for poor service, for not explaining better what had happened. Mr and Mrs D haven't suffered any loss. But they were upset about what they thought was an error with their mortgage account. I think it's fair that Barclays offered compensation for not explaining more clearly what had happened, which might have avoided some of this upset. I think £250 compensation is fair and reasonable in the circumstances.

My final decision

My decision is that Barclays Bank UK PLC should pay £250 to Mr and Mrs D, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 26 September 2023.

Ruth Stevenson
Ombudsman