

## **The complaint**

Miss S complains that Barclays Bank UK PLC made various errors with her mortgage, including giving her incorrect information about her contractual monthly payments (CMP).

## **What happened**

Miss S has a mortgage with Barclays. Her interest rate product was due to expire at the end of October 2022 and she agreed a new 10-year product in September 2022. The product offer said her monthly payments would be £379. However, when the product took effect Barclays said the monthly payments would be £397.

When Miss S asked Barclays about this via its webchat, it said her monthly payments were £350 – which was the monthly payment under her previous product.

Miss S is worried that she isn't making the right payments. She wants to continue making overpayments, to pay off the mortgage sooner, but thinks this confused Barclays. Barclays wrongly said her account is in arrears, when she's overpaid. Miss S also complains that Barclays used her overpayments to reduce her payments when she'd told it she wanted to reduce the mortgage term.

Barclays offered £350 compensation and a £20 good will payment. Miss S says this isn't enough for what she's been through. Miss S has suffered a recent bereavement and close family members are seriously unwell. She wants Barclays to reverse the part repayment but says this shouldn't increase her monthly payments.

Our investigator said Barclays made a number of errors, and this caused upset to Miss S during a difficult period in her life and over several months. He said Barclays should pay £750 for the distress and inconvenience caused.

Our investigator said the product offer explains that the actual monthly payment could be different to the estimate in the product offer. He said he couldn't require Barclays to change the monthly payment without also changing the term. He said Miss S can ask Barclays to reverse her part repayment, but this would increase her monthly payments.

Barclays didn't agree that £750 was justified. It said it offered a resolution soon after Miss S raised a complaint and it was Miss S's choice to bring her complaint to this service.

Miss S said £750 wasn't enough. She said this had caused her distress for over a year. She reiterated the various problems she's had with her mortgage account. Miss S says due to Barclays errors she stopped making overpayments and will pay additional interest as a result.

## **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.

Miss S took out a new 10-year product in September 2022. The product offer said the monthly payments would be about £379. It said this was based on a balance of £54,500 and the actual payments could vary. The new product rate took effect on 1 November 2022.

Barclays wrote to Miss S in early November 2022 saying her new CMP would be £397. This letter said her balance was £54,300. It said Miss S's direct debit was set up to £400 and this would continue.

Barclays says the balance used for the product offer and for the calculation of the CMP can be different. Interest accrues daily and so the balance is higher when a payment is due. However, that wasn't the reason for the discrepancy here.

The reason for the difference between the monthly payments in the product offer and the CMP is to do with how Barclays treats overpayments. Barclays told us:

- It uses the mortgage balance as reduced by the overpayment balance when it calculates the monthly payments for the product offer.
- It doesn't reduce the mortgage balance when calculating the CMP. That's because the overpayment balance could be used in future to fund underpayments.

Barclays also says any overpayment balance reduces the balance that interest is calculated on. So the amount of interest applied to Miss S's account is the same whether or not the overpayment balance is consolidated.

Miss S's overpayment balance was about £2,400. So the mortgage balance Barclays used to calculate her CMP was about £2,400 higher than the balance it used to calculate the monthly payments in the product offer.

Barclays says in its revised payment letters that overpayments might not be included in the new CMP and refers to further information about overpayments on its website. But the question Miss S asked was why her CMP was different from the monthly payment in the product offer. It's unfortunate that Barclays didn't explain this clearly to Miss S in late 2022.

Miss S contacted Barclays by webchat in mid-November 2022 to ask about her CMP. Barclays incorrectly said her CMP was £350. Miss S says she had numerous phone calls without getting a clear explanation.

Miss S cancelled her overpayment arrangement. Miss S says she'll pay more interest as a result, but didn't have confidence that Barclays would apply her pot of money as she wanted.

Barclays recorded Miss S making a complaint about her CMP on 2 December 2022. It then arranged for Miss S's overpayment balance to be capitalised to reduce her CMP. Miss S hadn't asked for this.

Miss S called Barclays on 5 December 2022 to ask if her CMP had been reduced. She said when she agreed the rate it was for a monthly payment of £379. Barclays call notes say Miss S didn't want her overpayment balance to be capitalised, and a sufficient explanation to her as to why the figures are different might suffice.

Nonetheless, Barclays capitalised the overpayment and wrote to Miss S on 6 December 2022 confirming it had applied £2,400 as a part redemption, which would reduce her balance

and monthly payments. It said her new CMP was £380.

Miss S says this was done without her consent. She wants her overpayments to reduce the mortgage term. Initially, Barclays said Miss S had requested this. It later agreed she hadn't.

Barclays sent a final response letter in late January 2023. It apologised for giving her incorrect information about her CMP and offered £370 compensation.

Having considered all of the above, I've reached the following conclusions:

1. I don't think it's right to require Barclays to "fix" Miss S's CMP at £379. The CMP is calculated to be the amount Miss S needs to pay each month so as to repay her mortgage by the end of the term. It wouldn't be in Miss S's best interests to pay less than is required to do this.
2. There's no evidence the CMP calculated by Barclays is incorrect. The product offer says the actual CMP could be different to the payments it quotes.
3. Miss S can still make overpayments to her mortgage account, if she is able and wants to do so. If she makes regular over payments her mortgage will be repaid sooner.
4. Barclays should have told Miss S when she first asked why her CMP was higher than the monthly payment in the product offer. This would have avoided considerable upset and inconvenience.
5. Barclays gave Miss S incorrect information that her CMP was £350 in November 2022.
6. Barclays capitalised Miss S's overpayment balance without her consent. Its own notes made at about that time said that wasn't what she wanted. It didn't acknowledge this until August 2023. This caused Miss S further unnecessary upset.
7. While Miss S didn't want her overpayments to be capitalised this didn't cause her financial loss. Overpayments reduce the balance on which interest is calculated whether capitalised or not. The only difference is that, once capitalised, the CMP is reduced. But Miss S can still make overpayments if she's able and wants to do so.

### **Putting things right**

Barclays said it could reverse the capitalisation – to re-instate the overpayment balance. Miss S would need to contact Barclays to confirm she wants this, as it would result in her CMP increasing.

Barclays didn't agree to pay £750 compensation. It said the complaint wasn't raised until 2 December 2022 and much of the time since was due to Miss S's decision to raise it with this service, not delays on its part. It said there had been no material changes since then that warrant the increase in compensation. I don't think that's fair or correct.

Barclays final response letter contained a number of errors. It said Miss S's payment of £400 was "out of character" when she'd been making this payment (which was in excess of her CMP) for some time. It then said the £400 payment was to repay arrears, which was also incorrect. It said re-instating the original CMP would lead to "further arrears".

Miss S says her account has never been in arrears, and she told us how upset she was by these inaccurate statements. I can understand that Miss S wasn't confident about the investigation carried out by Barclays into her complaint.

In addition, the final response letter didn't address the main crux of Miss S's complaint – why her CMP was different to the amount quoted on the product offer. And it didn't look into the capitalisation of the overpayments. This was despite the capitalisation itself affecting the CMP, being carried out seemingly in response to Miss S's complaint and its own notes recording that Miss S didn't want this. Barclays didn't acknowledge that it had done this without Miss S's consent until the complaint had been with us for six months.

I appreciate that Miss S says £750 isn't enough for what she's been through. I should say that when deciding what compensation is fair and reasonable, we don't just consider the nature of the error but how it has affected the individual customer.

At the outset, Miss S asked why her CMP was more than the monthly payments in the product offer. If Barclays had explained this, she'd have been spared considerable worry and inconvenience. Instead, Barclays gave her incorrect information and made further errors, including in its final response letter.

Miss S told Barclays in the call on 2 December 2022 that close family members were seriously unwell and about a recent bereavement. It's clear from the call recording that she was frustrated about previous incorrect information and became upset as the call went on. Miss S is going through a very difficult and upsetting time, and she's told us how upsetting she's found this whole matter.

I also need to take into account that the CMP isn't incorrect, Miss S didn't suffer any financial loss and she's said she's not in financial difficulties.

Miss S is understandably upset and worried about her family. I can't fairly require Barclays to pay compensation for this. But I can require it to pay compensation for the additional upset and inconvenience caused by its errors at such a difficult time. Taking all of the circumstances into account, I think it's fair and reasonable to require Barclays to pay compensation of £750.

### **My final decision**

My decision is that I uphold this complaint. I order Barclays Bank UK PLC to:

- Pay £750 to Miss S (it can deduct any compensation already paid), and
- reverse the capitalisation of the overpayment balance, if Miss S confirms she wants this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 November 2023.

Ruth Stevenson  
**Ombudsman**