

The complaint

Mr C complains that Barclays Bank UK PLC charged incorrect interest on his loan.

What happened

In December 2019 Mr C took out a loan of £4,800 over 5 years. The annual interest rate of the loan was 22.278% and the monthly repayments were £134.20.

Mr C raised a complaint with Barclays in March 2023. He said he was being charged the wrong amount of interest on the loan.

Barclays didn't uphold the complaint. It said it had calculated interest correctly.

Mr C remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said he couldn't see anything to suggest that the way interest had been calculated was incorrect.

Mr C didn't agree. He said he hadn't missed any payments and that the actual rate of interest he was being charged was 24.7%.

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 reviewed the loan agreement. This shows that the loan amount was £4,800 with a total amount to be repaid (including interest) of £8052.

Mr C has said that the total amount to be repaid should be £5,611.50 and that he's paid £5233.80 so far (this being 39 instalments of £134.20).

Looking at the loan agreement I agree with Mr C that the monthly instalment is £134.20. However, I'm unable to see where Mr C has obtained a total amount to be repaid of £5,611.50. Based on what I've seen, the monthly payment multiplied by the term of the loan results in a total amount to be repaid figure of £8052 (60 x £134.20).

Mr C has raised some points about the amount of capital being repaid each month. I can see that Mr C took out the loan on 4 December 2019. His first loan payment was due on 15 January 2020. Barclays has explained that interest is calculated daily, so there is proportionately more interest payable in the first month than there would be normally. So, in the first month of the loan, £11.27 of capital was repaid. In the second month, £43.84 of capital was repaid. Each month after that, the capital balance reduces, and the interest amount reduces accordingly.

I've reviewed the indicative repayment schedule which Barclays sent to Mr C in October 2020. This shows the expected capital and interest due going forwards.

Based on the information available, I haven't seen any evidence to suggest that the way in which Barclays has applied interest to the loan is incorrect.

I'm unable to comment on Mr C's assertion that the actual interest rate is 24.7% because this service isn't an accountant. The loan agreement sets out the applicable interest rate. Barclays has said that the loan has fallen into arrears. I understand that Mr C disputes this. However, if it is the case that there have been missed or late payments, this will have impacted on the level of interest during the period of the loan.

Taking everything into account, I'm unable to find evidence that interest has been applied incorrectly to the loan. I'm therefore unable to uphold the complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 January 2024.

Emma Davy
Ombudsman