

The complaint

Mrs B is unhappy that Clydesdale Financial Services Limited, trading as Barclays Partner Finance, didn't reduce the monthly instalments on her loan after she made an overpayment.

What happened

Mrs B has a personal loan with Barclays towards which she pays monthly instalments of £100. In May 2023, Mrs B called Barclays and made an overpayment of £1,000, which she assumed would reduce her monthly instalment amount moving forwards. But when she asked Barclays about this after making the payment, she was told that the overpayment would reduce the term but that her monthly payments would remain as £100. Mrs B wasn't happy about this, so she raised a complaint.

Barclays responded to Mrs B and explained that the terms of her loan include that overpayments will be used to reduce the term of the loan and won't reduce the monthly payment amount. Barclays also noted that Mrs B didn't question how the £1,000 overpayment would be applied to her loan until after she'd made the payment. Mrs B wasn't satisfied with Barclays response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Barclays had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mrs B remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

Having done so, I'm satisfied that the terms and conditions of Mrs B's loan do specify that any overpayments will be used to reduce the term of the loan and that the monthly instalment amount will remain the same. And having listened to a recording of the calls when Mrs B made the overpayment, I'm also satisfied that Mrs B didn't ask how the £1,000 overpayment would be applied to the loan until after she'd made that payment.

Mrs B has explained that she wasn't aware of the terms of the loan because she hadn't received a copy of the loan terms and conditions from Barclays. But if Mrs B hadn't received a copy of the loan terms, I would have reasonably expected her to have requested these from Barclays before making the overpayment. Or to have questioned how the overpayment would be applied to her loan before making it.

But Mrs B didn't do either of these things, and instead she appears to have made the overpayment to Barclays on the incorrect assumption that the overpayment would reduce the monthly instalment of the loan moving forwards.

I can sympathise with Mrs B here because it's clear that she did hold an incorrect understanding about how overpayments would be allocated to her loan. But, ultimately, it's for Mrs B, as the loan account holder to have understood the terms of the loan that she held.

And I don't feel that it should fairly be considered as being Barclays fault that Mrs B held the incorrect assumption that she did, given the clarity of the matter in the loan terms.

I also don't feel that it was unreasonable for Barclays to have themselves worked on the assumption that Mrs B was aware of the terms of the loan, as per her responsibilities as the loan account holder, and to have processed the overpayment that Mrs B wanted to make to them without asking Mrs B whether she understood the loan terms.

Mrs B has said that when she was told after making the overpayment that it wouldn't reduce the monthly instalment amount, she realised that she'd made a mistake at that time and feels that Barclays should have returned the £1,000 payment to her. But having listened to the phone call in question, I don't agree with Mrs B's position here.

This is because, while it's evident from the call that Mrs B wasn't aware before making the payment that her monthly instalment amount wouldn't be reduced, I don't feel that she did indicate any form of dissatisfaction such that a reversal of the payment by Barclays should have been considered. Rather, after learning that the overpayment wouldn't reduce the monthly instalment amount but would instead the reduce the loan term, Mrs B asked Barclays to confirm that she would clear the loan in less time, which Barclays confirmed.

Mrs B has said she called Barclays again at a later date, not long after making the overpayment, and told them that she'd made a mistake in making the overpayment. But Barclays have no record of this call, with the next call they have record of receiving from Mrs B taking place several months later.

Of course, Barclays records may be incomplete here. And I see no reason not to accept the testimony of Mrs B in this regard. But I feel that if Mrs B wanted Barclays to consider the reversal of the overpayment, this was something she should reasonably have requested from Barclays immediately upon learning that her understanding of how the overpayment would be applied to the loan was incorrect. But Mrs B didn't do this. And if she did speak with Barclays again at a later date, I don't feel that there would have been any fair compulsion for Barclays to have considered reversing the overpayment Mrs B had made on an earlier date at that later time.

I realise this won't be the outcome that Mrs B was wanting, but it follows from the above that I don't feel that Barclays have done anything wrong or acted unfairly here. Accordingly, my final decision here is that I won't be upholding this complaint or instructing Barclays to take any further or alternative action.

I realise this won't be the outcome Mrs B was wanting. But I hope that she'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 21 February 2024.

Paul Cooper
Ombudsman