

The complaint

Mr A complains that his lawyer sent all the money needed to pay off his mortgage with Barclays Bank UK PLC, but Barclays said money was outstanding. It ignored his letters and chased him repeatedly for payment. Meanwhile, Mr A's new lender threatened legal action.

What happened

Mr A said that on 9 November 2022, his lawyer paid off his mortgage with Barclays, so that Mr A could remortgage elsewhere. But Mr A said Barclays wouldn't accept it had been paid in full. It continued to chase him for a shortfall, whilst ignoring letters of complaint he wrote.

Mr A said his lawyer told him they were also in regular contact with Barclays after it started to ask for more money. They were apparently being told that the mortgage was paid in full, and their contact in Barclays couldn't understand why the mortgage hadn't been cleared.

Meanwhile, Mr A said not only was Barclays pursuing him to pay money he didn't owe, but it hadn't released its charge over his property either. So his new lender couldn't secure its lending over the property, and was threatening him with legal action.

Mr A said this wasn't sorted out until March 2023.

In March 2023, Barclays said this all happened because of a mistake by Mr A's lawyer. They hadn't sent one payment to clear Mr A's mortgage, but two. Because of that, Barclays' system hadn't treated this as a redemption, but as a part redemption and an overpayment. So Barclays said that Mr A's payment had been used to clear his mortgage debt, but not also his Mortgage Current Account debt.

Barclays said in December it applied the remaining funds to pay off Mr A's Mortgage Current Account debt, but by that time, he'd been charged interest on the money still owing. Barclays didn't think it had made a mistake in how it had initially processed the payments it received, and it thought that meant Mr A did owe the additional interest it had charged him. But it said it would uphold Mr A's complaint because no one had explained the problem to him, when he contacted it. So Barclays said it has paid off the shortfall as a gesture of goodwill, and it offered Mr A £300 in compensation.

Mr A didn't want to accept that, he said he wanted £950.

Our investigator didn't uphold this complaint, he said Barclays had explained why Mr A's mortgage wasn't paid off in November. He thought the action Barclays had taken, in writing off a shortfall that wasn't caused by its mistake, and offering £300 in compensation, provided a fair and reasonable outcome to this complaint.

Mr A didn't agree. He said Barclays had admitted its mistake. He felt it was irrelevant that two payments were made, as they were made at the same time, and for the right amount. The evidence he and his lawyer had supplied to show the mortgage was cleared was just ignored for twelve weeks. And in this time he was harassed for payment by Barclays. Mr A said that the gesture of goodwill Barclays claimed to have made in paying off his mortgage

current account was money he'd never owed it.

Our investigator said Barclays hadn't accepted it had made an error. And he didn't change his mind. Mr A wanted his complaint to be considered by an ombudsman, so it was passed to me for a final decision. I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Barclays has been adamant that it didn't make any mistake here, because its system processed the two payments it received as Barclays would expect. It says this was an error by Mr A's lawyer, because they made this payment in two separate tranches, although for the right total amount and within two minutes of each other.

I understand that Barclays has treated these two payments in line with its own internal policy, but what I haven't been able to see here is how Mr A's lawyer could have been expected to know that sending this money in two separate amounts would trigger a completely different treatment, by Barclays, of the money received. In short, I think it might have been reasonable for Barclays to describe this as a mistake by Mr A's lawyer if they had been told to do something different, and ignored an instruction by Barclays on how payment should be made. But I haven't been able to see that. So I can't see how Mr A's lawyer could have been aware, before payment was made, of this additional requirement on how payment should be sent.

So Barclays may not have made a mistake in how it processed these payments, but I think it did make a mistake in failing to make Mr A's lawyer aware of how the payment needed to be made.

I also haven't been able to see why it then took so long for this issue to be resolved. Mr A's representations on this seem simply to have been ignored, and Barclays has offered no explanation for that. Mr A's lawyer appears to have been told repeatedly that enough money had been paid to clear the mortgage (and I think that's right) but not given any reason why Mr A was being pursued for a shortfall. Again, there's no explanation of why this happened. So I think that Barclays has also missed a number of opportunities to put things right.

Barclays has argued that it hasn't just offered Mr A £300 in compensation, it's also covered a shortfall of just under £400 for him as well. But, like Mr A, I think this shortfall was caused by Barclays' mistake in the first place, so I don't think that is compensation for Mr A.

I note that Mr A was already experiencing difficult personal circumstances when he arranged this remortgage. I think that what Barclays has done here, has made things considerably worse for him. I note that Mr A does seem to me to have been working hard to resolve this issue, and ensuring his lawyer also worked hard to resolve the issue, so it seems to me that it's Barclays fault not just that things went wrong, but that they then took around four months to be put right. And I note that Mr A wasn't just facing Barclays' demands for payment, he also faced the mounting concern, and apparently also threats of legal action, from his new lender, because it was presumably unable to secure its lending.

For that reason, I do think that Barclays should pay a little more compensation. I think this is a case where Barclays' mistakes have caused Mr A considerable distress and

worry over a period of time. For that reason, I think a total payment of £500 would provide a fair and reasonable outcome to this complaint. That's what I currently propose to award.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Barclays said it had nothing to add, and was happy to accept my decision. Mr A said he would also like to accept, and he said he would expect prompt payment of the awarded amount.

I should note here that this outcome, including the requirement to make a payment, isn't binding on Barclays until Mr A also accepts this decision. The covering letter to this decision sets out the deadline for Mr A's acceptance, but if he would like prompt payment I would encourage him to contact our service early to accept.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Barclays Bank UK PLC must pay Mr A £500 in compensation. Barclays Bank UK PLC can count towards that amount, any payment it has already made to Mr A for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 February 2024.

Esther Absalom-Gough
Ombudsman