

The complaint

Mr and Mrs B complain that, when a payment was mistakenly made to redeem their mortgage at Barclays Bank UK PLC, it delayed in returning the money. Mr and Mrs B complain about the interest they paid while Barclays held their funds.

What happened

Whilst this complaint is brought by both Mr and Mrs B, as the mortgage is in both their names, our dealings have been with Mr B. So I'll mainly refer to him in this decision.

Mr B told us he had a mortgage with Barclays, but wished to remortgage away to a different lender. That lender was offering to loan Mr and Mrs B more money than they owed on this Barclays mortgage. (The reasons for this aren't material to this complaint.)

Mr B asked his new lender to send just the funds to redeem his existing mortgage to his solicitor, which was a little under £650,000. But the new lender wrongly sent the full amount instead. Mr B's solicitors had sent some of this money to Barclays before realising the new lender wanted ALL the money back, before it would then release the right amount.

On the same day payment was made to Barclays, 21 December 2022, Mr B's solicitors asked Barclays for the money back. Mr B told us Barclays then said the funds had been paid back, but they hadn't. Mr B told us about the extensive efforts he put in to try to get Barclays to find this money, and the conflicting messages he was given by its staff. Barclays told us the funds were eventually paid to Mr B's solicitors on 11 January 2023.

Mr B said he ended up paying interest on two mortgages at once. He didn't think Barclays should have charged him anything for his mortgage, when it was also holding all the money required to pay it off. And he said that the customer service during this time was appalling. Mr B wanted an apology, a full rebate on the interest charged for his Barclays mortgage from 21 December 2022 until the money was returned, compensation for loss of earnings in the amount of £2,100, and compensation for stress and anxiety of £500.

Barclays said it thought it had caused some delay in the return of Mr B's money. It had told Mr B's solicitors its service level agreement for the return of money in these circumstances would mean a return by 30 December 2022, taking into consideration Christmas and bank holiday closures.

Barclays said it actually returned the money on 11 January 2023. Barclays said once it has received the funds for a mortgage redemption into its account, it needed to carry out an investigation on why the money was being returned, and to put other measures in place, chiefly stopping the charge on the property being released. That task is automatically generated once Barclays received the redemption payment, and Barclays had to be confident the process had been reversed before it could give the money back.

Barclays said some of this must be Mr B's solicitors' fault, because they had wrongly sent the money. And it said we had to allow for Christmas bank holidays, as well as taking into consideration that the solicitor's office was then closed for Christmas from 23 December

2022 to 3 January 2023 which would have also contributed to the delay.

Barclays offered a payment of 8 days of interest on Mr B's mortgage with it, which it worked out at £653.83. It said it was sorry about the time Mr B spent on this, but said his solicitors should have chased this for him, because this was their mistake. And Barclays said it had told Mr B's solicitors how long it would take to get this money back to them. So Barclays offered £300 in compensation. Barclays said it understood Mr B was paying interest elsewhere on a mortgage, it said if Mr B forwarded evidence of the interest paid for 8 days, then it would consider reimbursing him for this too.

Our investigator didn't think this complaint should be upheld. He thought Barclays had made a fair offer, as he'd understood it intended to pay £300 in compensation plus two lots of mortgage interest for 8 days.

Mr B replied to disagree. Mr B said he accepted his solicitors made the initial error, but he still thought that when Barclays had his money, it shouldn't also have been charging him interest on his mortgage. Mr B also said his payments to the new lender were higher than to Barclays, so for the time when Barclays was late refunding the money, it should base compensation on the payment he made to his new lender, not the old one. Mr B said Barclays had also never explained why the return of the money took so long.

Mr B told us about the frustration he experienced in attempting to resolve this with Barclays. He didn't think £300 was fair and reasonable compensation for that. And he said Barclays had only ever said it would consider reimbursing some of the interest charged by his new lender. Mr B didn't appear confident that this payment would, in the end, be made.

Our investigator asked Barclays if it wanted to make an offer towards the interest Mr B was charged by his new lender. Barclays has said that it doesn't think it has enough information to do so, although it knows how much Mr B drew down, and the interest rate he was charged, as well as that this was interest only lending.

This case then came to me for a final decision. And 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:

Mr B said he wanted to see the documentation our service had received from Barclays. Our investigator has sent him that, and set a deadline for further comment, but nothing further has been received. I do think it's fair now to provide my provisional decision in this case.

Mr B's solicitors sent Barclays part of the money it had received from his new lender, to redeem his old mortgage. Then the solicitors realised that Mr B's new lender wanted ALL of its money back, so that it could then release the right sum. The solicitors asked Barclays to return the money on 21 December. I don't know whether this release of funds to Barclays was in fact Mr B's solicitors' fault, or not, but I note Mr B's view that it was. The distinction doesn't otherwise seem to me to be material for the purposes of this complaint.

What is relevant, is that Barclays was in no way responsible for the oversight in paying this money to it. But I think once Barclays was made aware of the error, it did have a responsibility to pay this money back as quickly as it reasonably could.

I can see that on 23 December, Barclays told Mr B's solicitors it would repay the money by 30 December. I know Barclays says the office of Mr B's solicitors was then closed throughout the Christmas and New Year period. However, I would have expected those solicitors to make arrangements for a payment of this size to be sent on to Mr B's new lender, without delay, providing it was returned during this time. We know it was not.

Barclays' own internal notes say that it instructed its CHAPS team to return this money on 28 December. Barclays then told Mr B the money was returned on 29 December. It wasn't.

Barclays says that the money should have been returned on 30 December, and wasn't returned until 11 January. It said that, once it took off bank holidays and weekends, it thought it had caused 8 days of delay, and offered to pay Mr B the interest it had charged him during this time. Barclays worked this out as £653.83. And it offered to pay £300 in compensation.

Barclays also offered to consider covering the interest Mr B paid on his borrowing with his new lender during this period, however, it has made no commitment to make any such payment, and an invitation from our investigator to quantify its offer has not been taken up. I don't agree that Barclays hasn't received sufficient information here to make an offer under this head, if it wished to do so. Because of that, I don't think I can assume that Barclays would in fact wish to make this payment.

However, I don't think that it would be fair and reasonable for me to insist that Barclays pays Mr B the interest he would like, which he paid to the other lender. That's because I don't think either the offer Barclays has made, or the request Mr B has put forward, provides quite the right basis to settle this complaint. I'll explain what I think should happen here.

I appreciate that a payment like this would trigger the automatic removal of the charge on Mr B's property, and I think it was reasonable for Barclays to say that it wouldn't return the money until it had made sure that this automated process was stopped. So I think the timescale Barclays gave to Mr B's solicitors, saying the money would be returned on or before 30 December, was reasonable, particularly given that this includes the Christmas bank holiday period.

Mr B says that he doesn't think Barclays ought to charge interest for any of the time that it had his money. He doesn't think that Barclays should hold the money to repay his mortgage, and still charge him interest on it.

I understand why Mr B has reached this view, but I don't agree. Barclays received money to redeem the mortgage, but then was almost immediately told not to apply this against Mr B's mortgage, and to return it instead. So I don't think Barclays was able to derive a benefit from holding this money in the way Mr B suggests. I don't think it is unreasonable for Barclays to continue to charge Mr B interest on his mortgage, whilst it takes steps to return this money as quickly as it is able. And that means I don't think Barclays has to pay back the interest it charged for all of the time that it held Mr B's funds.

I understand that it was unfortunate Mr B ended up paying two mortgages during the time that Barclays was trying to get his money back to him, but I don't think that Mr B paying two mortgages up until the point when Barclays could reasonably have been expected to have returned his funds, is Barclays' fault.

However, I think Mr B's money should have been returned a little sooner than Barclays has suggested. I think it should have been returned on 29 December, at the latest. I can see Barclays asked the relevant internal team to return the money on 28 December, and then told Mr B that it had been returned on 29 December. I don't know what mistake prevented a return at this time, but I don't think Mr B is in any way responsible for that. It doesn't appear to me to be fair that Mr B should have continued to pay two lots of interest on his borrowings after this date.

Barclays then worked out the delay it had caused, minus bank holidays and weekends. I'm not clear why Barclays discounted those days. It isn't Barclays' fault that it received this money just before the Christmas bank holiday, and this would always have delayed the return of the funds a little. But it presumably is Barclays' fault that the relevant internal team didn't take the right steps to return the money, before the New Year holiday period.

I think it's reasonable to assume that Mr B does pay interest on his mortgage on bank holidays and weekends. I don't think Barclays should discount these days, when it works out the delay it caused, unless it can show our service otherwise. And that means I think the delay Barclays caused in returning Mr B's funds runs from 29 December to 11 January, without deductions for bank holidays or weekends. That means it is 13 days, not 8.

Barclays initially suggested it would cover one lot of 8 days of interest which it had charged, and suggested it would consider a payment towards the second amount of interest, charged by the other lender, before then appearing to me to step back somewhat from this.

But I don't think that's quite right either. If no mistake had been made, first apparently by Mr B's solicitors, and then by Barclays, Mr B would always have been paying interest on one mortgage. So I don't think it's fair to ask Barclays to reimburse him for interest on both of his two mortgages, when they were running together.

I do think though that there is force in Mr B's argument that he ought not to have had to continue to pay the higher mortgage, after the funds wrongly paid to Barclays should have been returned. So I will ask Barclays now to make a payment towards the interest charged by Mr B's new lender, for the 13 day period between when I've decided Mr B's money should have been returned (29 December 2022 - so Mr B should not have been charged interest on the higher level of borrowing from this date) and when it was returned (11 January 2023 – when Mr B was presumably able to return all the funds to his new lender, and set up his remortgage afresh.)

Our service has requested more detailed information from Mr B about the interest payable on this loan, but this has not been supplied. However, I do think we have sufficient information to provide a reasonably close calculation. We know that Mr B borrowed £1,050,000 on an interest only basis, at an initial interest rate of 4.69%. Mr B's monthly repayments would therefore be in the region of £4,100, giving a day rate of interest of roughly £135. I think it would be fair for Barclays to pay 13 days, at this rate, so a total of £1,755.

I'm aware that there is some rounding involved in this calculation, but I still think that this would form part of a fair and reasonable outcome to this complaint, and I will include that in my provisional award below.

I understand that, to date, no payment has been made to Mr B by Barclays, for this complaint. That means Mr B has now waited quite some time for this refund. So I think

Barclays should pay Mr B interest at 8% simple, calculated from 29 December 2022, until the date that this refund is made.

I think Barclays should also pay additional compensation in this case. I don't think Barclays has to pay Mr B the loss of earnings he mentioned, because Mr B chose to pursue this issue, rather than have his solicitors do so. I don't think it would be fair and reasonable in the circumstances of this case to require Barclays to make that payment.

But when I think about the appropriate amount of compensation in this case, I must also bear in mind that Barclays may not have been responsible for the initial mistake, but it is responsible for the additional delay in returning this money, going well past the deadline Barclays had set itself for this.

And on that point, I note that Mr B's repayment wasn't just delayed. Rather, he was told, repeatedly, that it had been sent many days earlier. This is, as the case sets out, a very large sum of money indeed. To be told by Barclays that it no longer had this money, in circumstances where Mr B's own solicitors were adamant they had not received it, must have been very distressing indeed for Mr B. For that reason, I think Barclays should pay more compensation than it initially offered. I think a payment of £500 in compensation would form part of a fair and reasonable outcome to this complaint, and I will include that in my provisional award below.

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 reviewed my provisional decision, and wanted to accept it. Mr B also replied to say that he hadn't received the redacted material that our service sent him, but he said he was no longer seeking this, and did want to accept this decision now, as long as Barclays would also 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 and Mrs B the following sums –

- £1,755 as a payment towards the interest Mr and Mrs B were charged elsewhere.
- interest at 8% simple on that amount, calculated from 29 December 2022, until the date that this refund is made. (HM Revenue and Customs requires Barclays Bank UK Plc to take off tax from this award of 8% simple interest. Barclays Bank UK Plc must give Mr and Mrs B a certificate showing how much tax it's taken off if they ask for one.)
- £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 4 April 2024.

Esther Absalom-Gough
Ombudsman