

The complaint

Mr K complains that Barclays Bank UK PLC recorded adverse information on his credit file about his mortgage current account (MCA).

What happened

Mr K has had a mortgage with Barclays for many years. Although it's a residential mortgage, the property is rented out, though it seems Barclays wasn't aware of this until recently. Mr K gave Barclays a new correspondence address in 2008 and it doesn't seem that he's lived in the property since then.

Mr K's mortgage comes with an associated mortgage current account. An MCA is in some respects a standard bank account – Mr K can use it for day to day income and spending. But it also comes with an overdraft facility, and any borrowing on that overdraft is secured against his property as part of the mortgage. Where the account is overdrawn, the borrowing attracts monthly interest. But provided he keeps the borrowing within the agreed limit, there's no obligation on Mr K to make any payments – he's simply required to pay off all borrowing by the end of the mortgage term.

When interest is charged on borrowing, it's added to the overdraft balance. And so if Mr K doesn't make payments the account could go over the agreed limit.

In 2018, the facility limit on the MCA overdraft was £79,110. Mr K was paying £250 into the account each month, but this was not enough to cover the monthly interest, and from February 2018, the overdraft balance was over the agreed limit.

As a result, Barclays reported to the credit reference agencies that Mr K was over his agreed overdraft limit.

Barclays says it tried to contact Mr K from March 2018 onwards to discuss the account and to try to get it brought back below the limit. It sent monthly account statements and letters to his correspondence address, though it sent formal arrears notices to the mortgaged property.

Barclays says it also tried to call Mr K to discuss the account, and his personal banking manager asked him to contact the mortgage team. It says it has no record of Mr K getting in touch during 2018.

In early 2019, Barclays says it called Mr K but was unable to speak to him because he refused to answer security questions. Mr K says that he was called an inconvenient times, and asked to be called back later – but the calls were never returned.

By May 2019, the MCA balance was around £1,700 over the facility limit. Because it hadn't been able to speak to him, Barclays decided to send a field agent to visit Mr K. Mr K received this letter, and spoke to his personal banking manager who passed him on to the mortgage team.

From June 2019, Mr K increased his payments into the MCA, and by September he had brought it back within its limit.

In April 2020, Mr K took a six month coronavirus payment deferral on his mortgage, on the basis that his income had been affected by the covid-19 pandemic. During the period of the payment deferral, Barclays also waived interest on the MCA – with the exception of July 2020. In the other five months, it charged interest but then refunded it.

When the payment deferral came to an end, Mr K didn't resume making payments to the MCA and it began to go above the facility limit again.

Barclays says it tried to call Mr K about this in late 2020, but again he refused to go through security. Eventually he agreed to do so, and agreed to make payments again, but wouldn't agree to set up a standing order into the MCA over the phone.

However, Mr K didn't in fact make payments, and the facility limit was exceeded from December 2020 onwards. Mr K made payments to bring it back below the limit in April 2021, and resumed making regular payments into the account.

In April 2021, Mr K formally told Barclays he was letting out the property and asked to convert the main mortgage to buy to let. Barclays refused. So Mr K tried to move his mortgage elsewhere – but found that he was unable to do so because Barclays had recorded on his credit file that he had exceeded the MCA limit in 2018 and 2019, and again from late 2020 to April 2021.

Mr K complained about the information Barclays had recorded on his credit file. He told Barclays that he had been experiencing mental health issues and problems in his personal life. And he said that while he'd been able to manage the mortgage online, he had not been able to do the same with the MCA. When he'd tried to call Barclays he had to wait a very long time on hold, and staff had either not called back at all or called back at inconvenient times. He said that he was only over the MCA limit by small amounts, because of the application of interest, and so it wasn't fair to report that to his credit file.

Barclays didn't uphold his complaint. It said he had not been maintaining the account within the agreed limit, it had a duty to report that to the credit reference agencies and what it had reported was accurate. It said it hadn't known about the difficulties Mr K had experienced so hadn't been able to explore what support it might be able to offer him. But it offered £150 compensation for delays in responding to his complaint.

Our investigator thought that Barclays had acted fairly, and didn't think the reports should be removed from Mr K's credit file. But he didn't see why Barclays had charged interest in July 2020 when it had frozen interest for the other months of Mr K's payment deferral, and he asked Barclays to remove that interest.

Neither party accepted that outcome. Mr K didn't think he had been treated fairly. And Barclays said that interest should still have been charged on the MCA throughout the deferral – so Mr K had benefitted from an error on its part when it refunded interest for five of the six months.

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'm very sorry to hear of the difficulties Mr K has faced in recent years – exacerbated by the

impact of the pandemic and its effect on his income.

I've looked carefully at everything that has happened in recent years. I can see that the root of the problem Mr K is complaining about is that his MCA facility has been over its limit. And the reason for that is that Mr K has not been paying enough in each month to cover the interest.

It's unfortunate that Barclays sent the formal arrears notices to the mortgaged property rather than to the address it knew was Mr K's correspondence address. However, I don't think this ultimately made any difference. The MCA account statements – which were sent monthly – *did* go to the right address. These clearly show that the MCA was over its facility limit, that Mr K was not paying in enough each month to cover the interest, and that therefore the account was going further over the limit each month.

I'm satisfied that Barclays gave Mr K enough information to know that he had gone over his overdraft limit, and that his payments weren't enough to resolve the problem. And since he was paying into the MCA by standing order, it was up to Mr K to adjust the standing order – or pay by some other means. This wasn't something Barclays could do for him.

Ultimately this was his responsibility. And because he wasn't managing the account in line with the agreed facility limit, it's reasonable that Barclays recorded that to his credit file.

I appreciate that the markers on the credit file are causing Mr K difficulty now. But that's because potential new lenders are concerned to see that he hasn't been managing his account as he should. That's the reason for credit files; so that future lenders can take into account past credit history in deciding applications. I don't think it's fair to ask Barclays to remove an accurate record so that future lenders will not be aware of it.

I'm afraid I don't agree with Mr K that it wasn't proportionate to record that he was over the facility limit because it was just by a few pounds. He was up to £1,700 over the limit at times. And in any case, the fact is that he was over the limit, and so it was fair for Barclays to record that.

I've taken into account what Mr K has said about his health, and the impact on him. And while I'm very sympathetic to that, I'm afraid I don't think that means it was unfair for Barclays to make the reports. It wasn't aware of Mr K's health concerns at that time, and even if it was – and could have helped him in other ways – it would still be accurate to record that he was over the facility limit.

Mr K also says that when he came off his payment deferral, he had issues setting up a new direct debit, or reactivating the old one. I've seen that was the case – but that related to the main mortgage account. That was resolved, and no markers were put on his credit file about the mortgage. But this didn't affect the MCA; Mr K had always paid into that by standing order, not direct debit. And when he spoke to Barclays in late 2020 he said he would set up new one, but didn't do so until April 2021. That means no payments were made in that time – and again, it was accurate, and fair, for Barclays to report that.

I've thought about what Mr K has said about communication problems. And it does seem that calls with Barclays haven't always gone well. But ultimately I'm satisfied that it was Mr K's responsibility to manage his MCA, he had enough information to know there was a problem, and when he didn't pay in enough it was fair for Barclays to report that he hadn't done so. And while Barclays could have called Mr K at other times as he had asked, I'm not persuaded that this would have made a difference – since Mr K generally refused to go through security when Barclays did call, it's likely he would have had the same concerns had it called at other times.

In my view, the mistake Barclays made here was not sending the formal arrears notices to Mr K's correspondence address, rather than to the mortgaged property. But while it had been asked to write to a different address, it doesn't seem that Barclays knew until 2021 that Mr K was renting the property out. And even if he didn't receive the notices (thought they may have been forwarded on to him, or passed to him by his tenant), he still had enough information to know what was happening with his MCA, and that it was consistently over the facility limit because he wasn't paying enough in to cover the monthly interest.

I don't therefore think that I can fairly uphold this complaint or ask Barclays to remove the adverse entries from Mr K's credit file.

Finally, I note that during the payment deferral, Barclays refunded the interest charged to the MCA in five of the six months of the deferral (April, May, June, August and September 2020) – but did not refund it in July. Strictly speaking, coronavirus payment deferrals didn't apply to MCA accounts, since there was no obligation to make payments anyway, and nothing to defer. And even where payments are deferred – as they were on Mr K's main mortgage account – interest is still chargeable and added to the balance.

I've also noted that it wasn't Barclays' policy, in general, to stop charging interest on MCA accounts during a payment deferral – and there was, as I've said, no obligation for it to do so.

But I've also borne in mind that the fact is that it *did* do so – it charged then refunded the interest – for five of the six months of the deferral. In the particular circumstances of this complaint, that was a fair way to assist Mr K. As he couldn't make payments, the addition of interest would tip him over the facility limit. For the six months of the deferral, refunding the interest stopped that happening. It's not clear to me why Barclays would do this for five months, but miss one month out. And by doing so in the other months, it gave Mr K the expectation that it would.

Putting things right

I'm therefore satisfied that it would be fair to ask Barclays to refund interest charged on the MCA in July 2020, and to re-calculate the MCA balance accordingly – as it led Mr K to believe it would at the time.

Other than that, I don't require Barclays to take any action. It offered Mr K £150 compensation for delays in responding to his initial complaint. I think that's fair, and for the reasons I've explained I don't require it to remove the adverse data from Mr K's credit file.

My final decision

For the reasons I've given, my final decision is that Barclays Bank UK PLC should refund the interest charged to the MCA in July 2020 and re-calculate the MCA balance accordingly. It should also pay the £150 compensation it offered, if it hasn't already done so. I don't require it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 15 March 2022.

Simon Pugh
Ombudsman