

The complaint

Mr M complains that Barclays Bank UK PLC gave him wrong information about how much his contractual monthly payments would be following a payment deferral.

What happened

Mr M has a residential mortgage with Barclays. In March 2000 he asked for a payment deferral as his income was impacted due to the Covid-19 pandemic. Mr M was initially told that because he had a history of arrears, he wasn't eligible. Barclays later accepted it gave Mr M wrong information and applied a backdated payment deferral and arrears adjustment.

Mr M says he was told that when the deferral period ended, his contractual monthly payment (CMP) would only increase by a few pounds. He's unhappy that his payments have in fact increased by around £50 per month. He wants his CMP to revert to what it was before the payment deferral as the new payments are unaffordable.

Barclays says Mr M was told how much his CMP would increase to after the payment deferral. He was offered the option of extending his term to keep his CMP down, but Mr M refused the offer to go through an income and expenditure assessment. Barclays didn't agree that Mr M's CMP should revert to what it was before the payment deferral.

Unhappy with Barclays' response, Mr M bought his complaint to our service. An investigator looked into things and thought Barclays provided Mr M enough information about how a payment deferral works and how it would impact his CMP. The complaint wasn't upheld.

Mr M didn't agree and asked for the case to be decided by an ombudsman. I issued a provisional decision on 7 February 2022 and an extract of my provisional findings is below.

"...I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In November 2020, Barclays admitted it got things wrong, it accepted that Mr M was previously given wrong information about his eligibility for a payment deferral. A backdated six-month payment deferral was applied from April 2020 to September 2020. Barclays took fair and reasonable steps to correct its mistake. From April 2020 Mr M stopped making payments on his mortgage due to his self-employed income being impacted by the pandemic. His arrears were adjusted accordingly. Mr M wasn't financially impacted in any other way – for example, by making payments he couldn't afford. So, I don't think Barclays needed to do anything further at that point to compensate Mr M for any loss suffered to date.

Mr M's main concern is about the information given to him in November 2020. Ultimately, he says he wasn't given clear information about what his CMP would increase to when the deferral period ended.

During a call on 4 November 2020, Barclays explained how a payment deferral works. The agent estimated that Mr M's CMP would increase to around £595.02 as a result. The agent said an affordability assessment was needed to ensure the new CMP plus the extra £100

towards Mr M's arrears, as per the terms of his payment arrangement was manageable. Mr M refused because, he said, he could afford the new payments.

Because Mr M's backdated payment holiday took him to September 2020, the agent asked if he could make a payment to cover October 2020, to keep his account up-to-date. She asked for a payment of £642.68 which was his agreed amount before the payment deferral. This is possibly because the new exact CMP had not yet been calculated. The agent said he'd receive a letter confirming the new CMP in the post.

The agent called Mr M back. She said she'd checked the situation with a colleague. Because Mr M's payment arrangement was agreed by the courts, if he could confirm the payments were affordable, a new affordability assessment wasn't necessary. The plan could be reinstated. The agent explained at that moment in time she couldn't confirm the exact CMP (although an estimate of £595.02 was previously given). Mr M would need to call back at the end of November 2020 to make a manual payment and set up a direct debit for future payments. The agent said that at point, whoever he spoke to, would be able to confirm the new CMP and set up a direct debit mandate for that amount.

On 30 November 2020 Mr M called Barclays as agreed. The agent told him the amount due that month was £644.40. This is where I think the confusion occurred. Mr M was asked to pay only a few pounds more than before and he thought that was the agreed amount moving forward. So, when his December direct debit was nearer to £700, he wasn't expecting this.

Mr M was told that by the end of November 2020, his new CMP would have been calculated and the agent would be able to confirm the exact amount. Barclays got things wrong and gave Mr M the wrong information during this call.

I've seen the letter that was sent to Mr M on 5 November 2020 confirming his backdated payment deferral. This letter makes no reference to how much his future CMP would be. Barclays hasn't provided any evidence to suggest further letters were sent. In any event, I don't think it was unreasonable for Mr M to rely on the information given to him by the agent during this call.

Taking this into account, I think it's right that Barclays should compensate Mr M for the distress and inconvenience caused as a result. However, I also think it's important to explain that, as a service, our awards are designed to compensate consumers - not punish organisations.

We look at the impact any mistakes have had on the consumer concerned and give careful consideration to a consumer's individual circumstances, in determining whether any award for distress and inconvenience is warranted.

Mr M thinks his CMP is too high considering how much he owes on his mortgage. He also doesn't think an increase of around £50 a month following the payment deferral is proportionate.

Mr M's deferred payments (including the interest due) have been added to his mortgage balance and spread over the remaining term. Because Mr M only has around five years remaining on his mortgage term, this will impact how much he needs to pay. I've seen nothing to suggest Barclays' calculation is wrong and the increase appears proportionate considering the balance due over the term remaining.

Mr M should have been given clearer information about the amount due and he should be compensated for that. But ultimately, he is paying the right amount due, in line with his mortgage terms. I also think Barclays has since offered a reasonable solution to help make

Mr M's payments more manageable by offering a possible term extension to reduce his CMP.

When taking all of this into account I think an award of £150 is fair and reasonable in the circumstances to acknowledge the fact that Barclays didn't properly manage Mr M's expectations and the impact this had on him. Because I'm persuaded Mr M is paying the right amount in line with his mortgage terms, I won't be asking Barclays to adjust his CMP. If the new CMP is unaffordable for Mr M, he should discuss his options with Barclays. A possible term extension has already been offered. Other options may include a product switch, if other suitable lower rates are available, to help reduce his payments. Barclays should engage with Mr M if he seeks help.

Mr M says he was receiving repossession notice letters. He said this doesn't form part of his complaint as he's satisfied the payments are being maintained. My understating is that these letters should've stopped being sent after the plan was reinstated in November 2020.

My provisional decision

My provisional decision is that I uphold this complaint and direct Barclays Bank UK PLC to pay Mr M £150 compensation for the impact caused by its mistake. Barclays Bank UK PLC should also engage with Mr M if he asks for help to make his CMP more affordable".

Barclays hasn't responded to the provisional decision. Mr M responded to say he accepts the provisional 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.

I've also given careful consideration to all of the submissions made before arriving at my decision.

I note that neither party has made any further arguments, or provided any further evidence, since I issued my provisional decision. I've carefully considered again what I said.

Having done so, I've reached the same conclusions as set out in my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint and direct Barclays Bank UK PLC to pay Mr M £150 compensation for the impact caused by its mistake. Barclays Bank UK PLC should also engage with Mr M if he asks for help to make his CMP more affordable".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 March 2022.

Arazu Eid
Ombudsman