

The complaint

Mr B complains that Barclays Bank UK PLC hasn't applied payments to his mortgage account correctly. He says his overpayment account is short about £1,000.

What happened

Mr B took out a mortgage with Barclays in 2007. He had a ten-year product which ended in 2017. He says he's been making overpayments each month since then.

Mr B says his financial circumstances were affected by the Covid-19 pandemic. In early 2021 he wanted to access the money in his overpayment account. He discovered the balance was different from his own calculations by about £1,000.

Mr B is also unhappy that Barclays transferred about £10 from his mortgage account to his home improvement loan account in March 2018.

Barclays said Mr B's arrears came about due to a missed payment in early 2016. However, it says this came about because it had wrongly told Mr B his account was in credit. Barclays offered £200 compensation for the error. Barclays says it's able to make transfers between mortgage accounts and does so to avoid one account being in arrears when the other has a prepayment.

Our investigator said the account balance wasn't wrong. Our investigator said the £200 offered by Barclays for giving Mr B incorrect information about his account was fair.

Mr B didn't agree. He said the maths didn't add up. He said Barclays had changed its story since it sent its final response letter. It hadn't provided evidence his account had been in arrears. And he still felt £1,000 had gone missing from his account.

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.

Mr B has made overpayments since 2017. I can understand that he wants to be sure his payments have been properly applied to his account. I agree that it has taken time to get to the bottom of what happened.

Barclays provided internal records which I've reviewed carefully. I can't provide copies of these to Mr B. But Mr B should have received annual mortgage statements which set out the payments he's made.

Mr B missed a contractual monthly payment in January 2016. This resulted in arrears of about £1,000.

Mr B had called Barclays in December 2015. He was told his account was in credit by about £870. Mr B made a smaller payment in January 2016 of the difference between the contractual monthly payment and the amount he'd been told the account was in credit.

However, Barclays had made an error when it told Mr B his account was in credit. The account wasn't in credit, it was in arrears of about £163.

When Mr B made a payment of £163 in January 2016 he cleared these arrears. But because he didn't make the contractual monthly payment due in January 2015 his account fell into arrears of £1,000. This explains why Mr B's overpayment balance is about £1,000 less than he'd expected.

Mr B asked how the arrears of £163 came about. Barclays says Mr B agreed reduced payment arrangements with Barclays during in 2009 and 2010. This meant Mr B paid less than the contractual monthly payment. Barclays later increased Mr B's contractual monthly payment by about £10. This was intended to ensure the mortgage was repaid within the remaining term, despite the reduced payments in 2009 and 2011. Mr B (who paid by standing order) didn't increase his monthly payment until late 2013. He was underpaying by about £10 each month during this time. This accrued as arrears on his account. Barclays provided evidence to support what it said, and I think this is a fair summary of how the £163 arrears came about.

Mr B says the later arrears (of about £1,000) came about due to Barclays giving him incorrect information. I agree, in that I don't think Mr B would have made the smaller payment instead of his contractual monthly payment if Barclays hadn't (wrongly) said his account was in credit. Nonetheless, despite the incorrect information, the payment missed in January 2016 was due.

The arrears created by the missed payment were made up when Mr B made overpayments. This meant that Mr B's overpayment account balance is lower than he'd calculated. But I don't think he's suffered a loss. This is because the payment he missed in January 2016 was due – this was money he did owe.

Mr B is also unhappy that Barclays transferred money between his mortgage accounts. Mr B's mortgage has two accounts, the main mortgage and a home improvement loan account. This isn't unusual and often comes about when a customer takes out further borrowing, such as for home improvements, during the life of the mortgage. Barclays transferred about £10 from one account to the other. It said this was to avoid one account being in arrears when the other was in overpayment. I can't see that this caused any loss or inconvenience to Mr B.

Putting things right

Barclays caused upset and inconvenience to Mr B as a result of giving him incorrect information in late 2015. It offered £200 compensation for this. I think it's right that Barclays pays compensation. I think Mr B was caused worry that his account balance wasn't right and inconvenience in trying to find out what had happened. On the other hand, Mr B wasn't aware of the missed payment or arrears until recently. And by the time he knew about the arrears they'd been repaid and the account had an overpayment balance. I think in the circumstances £200 compensation is fair and reasonable.

My final decision

My decision is that Barclays Bank UK PLC should pay £200 to Mr B.

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

Ruth Stevenson
Ombudsman