

## **The complaint**

Mr and Mrs S have complained about the Mortgage Current Account (MCA) linked to their mortgage with Barclays Bank UK Plc.

To settle the complaint, Mr and Mrs S want Barclays to amend their credit files and for interest to be frozen on the MCA.

Mr S has dealt with the complaint throughout.

## **What happened**

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, and in the investigator's letter dated 28 October 2021. All parties have a copy of that letter, so there is no need for me to repeat the details here. Secondly, what happened really isn't in dispute, so I don't need to analyse the events in order to determine why a complaint has been made. Finally, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs S being identified.

Briefly, Mr and Mrs S have a mortgage account with Barclays taken out in 2007. The mortgage comes with a MCA.

The MCA is an overdraft facility, which works like this: as capital is repaid off the mortgage, the overdraft limit on the MCA increases by the same amount, due to what Barclays calls 'rebalancing'. This can be spent by the borrower, through the mortgage current account.

Borrowers are free to repay the overdraft, in part or in full, if they wish to do so, at any time. Customers can pay money into the MCA if they want to, and operate it in credit. If there is a credit balance, interest accruing on that balance can, if the customer requests it, be offset against the mortgage interest. But the MCA in this case isn't in credit and so it operates as an overdraft facility with debit interest accruing on the outstanding balance.

The overdraft also becomes immediately repayable in full when the related mortgage account is repaid – either when the mortgage reaches the end of its term or if the mortgage is repaid sooner (for example, on sale or re-mortgage of the property).

The MCA operates on an interest-only basis. Interest is currently charged on the overdraft balance at Bank of England Base Rate + 4.49%, except where the mortgage is a specific offset mortgages, where interest is charged at the offset mortgage rate.

In February and March 2014 Mr and Mrs S didn't make their mortgage payments. As a result, Barclays capped the MCA limit at about £171,000. However, interest continued to accrue on this balance, which increased to about £231,500.

Following that, Barclays noted in 2015 that Mr and Mrs S were in financial difficulties and also had some health vulnerabilities. A complaint made by Mr S that the MCA had been mis-sold was responded to by Barclays in a final response letter dated 9 December 2015.

After that, Barclays tried to liaise with Mr and Mrs S about setting up a payment plan for the MCA, and put litigation on hold in the meantime. However, over a number of years it seems Mr and Mrs S's financial difficulties continued and the MCA remained over the limit. Only two payments have been made to the MCA – one in 2016 for £880 and one in November 2019 for £323.13. However, due to the interest that has accrued on the MCA, the account balance has increased substantially.

In 2020 Mr and Mrs S complained again about mis-sale of the MCA, and about the way Barclays had dealt with their financial difficulties. Mr and Mrs S were unhappy about the impact of the MCA on their credit report, as it was showing as arrears. They wanted Barclays to remove this information and to freeze interest. Barclays didn't uphold the complaint, so it was brought to us.

We looked at the mis-sale of the MCA in a separate complaint and on 12 April 2022 I issued a decision that we couldn't look at it, as it was out of time.

An investigator looked at the other issues – the way Barclays had dealt with Mr and Mrs S's financial difficulties, and about their credit reports. He didn't uphold the complaint.

Mr S disagreed with the investigator's findings and asked for an ombudsman to review the complaint. In summary, Mr S says that he tried numerous times to contact Barclays, but often found the bank was too busy to discuss his account. Mr S also says that the way Barclays dealt with him amounted to harassment. Mr S maintains that Barclays is wrong to report the MCA as being in arrears, as there is no monthly contractual payment on the MCA.

### **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.

As I said at the outset, because our decisions are published, I must take care not to put anything in this decision that might lead to Mr and Mrs S being identified. But I confirm I've read everything Mr S and Barclays have sent us, and I've listened to all the telephone call recordings. Having done so, I'm afraid I have disappointing news for Mr and Mrs S; I'm not upholding the complaint. These are my reasons.

**Customer service:** I am sorry to note that Mr and Mrs S have had both financial and health problems over a number of years. I am sure this has been a very stressful time for them and I don't doubt their efforts to resolve their financial difficulties. However, I've listened to the call recordings, and I'm not persuaded Barclays' staff have been rude, or that the contact from Barclays has amounted to harassment.

I can understand that when a creditor is asking a borrower to make payment, it can seem to the borrower that they are being harassed, and so I don't doubt that this is how Mr and Mrs S perceived it. But I'm satisfied Barclays has acted in a professional manner in its dealings with Mr and Mrs S.

**Credit file:** I've looked carefully at what's happened since the MCA reserve facility was capped in 2014. I can see that the root of the problem is that the MCA has been over its limit and that the reason for this is that Mr and Mrs S haven't been paying enough in each month to cover the interest. As a result, the account is being reported as in arrears.

I appreciate Mr S's argument is that the account can't be in arrears, because no payment is due on the MCA until the end date of the mortgage term. But as the facility is over its agreed

limit, Mr and Mrs S are required to make payment to bring the MCA within its limit. However, because the MCA isn't being managed in line with the agreed facility limit, I'm satisfied it's reasonable that this is being recorded on Mr and Mrs S's credit files.

I've taken note of what Mr S has said about the difficulties this is causing him in trying to raise finance for his company. But credit files exist so that future potential creditors can take into account past credit history when deciding applications. I don't think it's fair to ask Barclays to remove an accurate record; the bank is under an obligation to provide credit reference agencies with the true picture on the account.

Given this, because the account has remained over its limit for such a considerable period of time, reporting it as being more than six months in arrears is not, in my opinion, incorrect. In the circumstances, I don't think it would be fair to ask Barclays to remove any adverse entries from Mr and Mrs S's credit files.

**Further points:** I can see Mr and Mrs S have been in financial difficulty for a number of years, and that the situation appears to be long-term. I don't doubt for one minute that this is very stressful for them and I can see from what Mr S has told us that his and Mrs S's health has been impacted.

The current mortgage balance is under £300,000 and is due to be repaid in full in August 2025. Mr and Mrs S's property is, according to online property portals, likely to be valued at over £1 million. So I think Mr and Mrs S do have options, and it might help them to take some independent financial advice now, so they can think about how best to address the difficulties with the MCA and also to think about their repayment strategy for the MCA by the end of the mortgage term.

### **My final decision**

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 23 May 2022.

Jan O'Leary  
**Ombudsman**