

The complaint

Mr and Mrs S complain that Barclays Bank UK PLC made errors with their contractual monthly payment (CMP). Mr S says this has caused them to incur additional interest, caused stress and has taken up too much time. He asks that Barclays makes up the shortfall, explains what happened, apologises and pays compensation.

What happened

Mr and Mrs S had a mortgage with Barclays. Their fixed interest product was due to end in April 2021. They applied for a term reduction and a new interest rate product which should have taken effect on 1 May 2021. Mr S says Barclays calculated their new CMP incorrectly. He says this will result in them paying additional interest. Mr S says Barclays sent many letters with different CMPs, and Mr S says it didn't understand the problem or investigate what had happened.

Our investigator said Barclays sent letters with different CMPs and had made errors with the term reduction. He said it had now put this right and offered £300 for the trouble caused, which the investigator said was fair.

Mr and Mrs S didn't agree. Mr S said Barclays made errors, including with the remaining term and balance, which resulted in the wrong CMP. He said Barclays was wrong to say this was due to them making overpayments. He said they'd made two overpayments before April 2021, but not during the period to which the complaint relates. He says even when Barclays sent its final response letter it attached a letter with an incorrect mortgage balance, causing more confusion. It then refused to look into the complaint further. Mr S said £300 didn't reflect the impact of Barclays' errors.

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 and Mrs S applied for a new interest rate product and to reduce the remaining term of their mortgage to 10 years. Barclays issued a mortgage offer in April 2021. This stated the duration of the loan (10 years) and the new fixed interest rate product. It set out the loan balance at the time of the application in February 2021 (about £172,600) and the new CMP (about £1,600).

Mr and Mrs S's previous fixed interest rate product expired on 30 April 2021. From 1 May 2021 the new product rate applied. Barclays should also have applied the term reduction from this date, which would have increased the amount of the contractual monthly payments.

Barclays didn't apply the term reduction on 1 May 2021. This was an error, which Barclays has corrected. Barclays provided account statements that show the payments made to Mr and Mrs S's account. Their annual statement issued in October 2021 shows correct payments were made from (and including) July 2021 and the term reduction had been applied to their account.

The statements provided by Barclays show Mr and Mrs S made payments in May and June 2021 of about £1,280. Had it correctly applied the term reduction on 1 May 2021 the CMP would have been about £1,510. Barclays issued a revised payment notice in June 2021, with the correct CMP.

Due to Barclays error, Mr and Mrs S paid about £240 less in May and June 2021 as they would have paid had the term reduction been applied on 1 May 2021. This didn't result in arrears. But it meant the mortgage balance didn't reduce as much as it should have done. Barclays says this resulted in additional interest of about 30 pence applied during that period, which was covered by the compensation it offered. It says if Mr and Mrs S are worried about additional interest due to the balance continuing to be higher than it would have been if it had calculated the CMP correctly for May and June 2021, they can make a payment to make up the shortfall.

Mr S says he doesn't have the extra money to fund the shortfall. He says Barclays should cover it, either by reducing the mortgage balance or making a payment to him. I don't think it would be fair to require Barclays to do that. Mr and Mrs S don't owe the money because of the error, they already owed the money and simply repaid less for two months. I appreciate that they'd have paid the correct amount if Barclays had calculated it correctly at the outset. But it was still possible for them to make up these payments if they wanted to do so, and had available funds.

Mr and Mrs S's new product includes an early repayment charge (ERC). However, they can make overpayments of up to a certain amount (often referred to as an overpayment allowance) each year without incurring an ERC. I've thought about whether to require Barclays to allow Mr and Mrs S to make up the shortfall without this being included in the overpayment allowance. But as Mr S says they didn't have funds to make up the payment, I don't think I need to require Barclays to do this.

Mr and Mrs S were caused upset and inconvenience by Barclays error. I think it's right that Barclays pays compensation for this.

Mr S says this took too long to sort out. I can understand his frustration. They received letters and notices with incorrect information about their CMP. But Barclays had put matters right in time for the July 2021 payment. It issued a correct revised payment notice in June 2021 (although I can appreciate that Mr and Mrs S might not have been sure if it was right).

Mr S says he feels that Barclays must be targeting him as he doesn't think others wouldn't have this many problems with their mortgages. I think it's more likely this was simply an error.

I appreciate Mr S's frustration that Barclays didn't explain what had gone wrong in more detail. Had it done so, he might have been more confident that matters had been put right. I can appreciate Mr S's frustration that Barclays wouldn't re-open his complaint despite his concern that the problem wasn't fixed. However, by that time the problem (the application of the term reduction) had been fixed.

Mr S says Barclays' response to his complaint attached an out of date document. Barclays attached a copy of the offer letter it had issued in April 2021 to the final response letter, saying it would apply the changes to Mr and Mrs S's account as set out in the offer letter. The offer letter used the balance of Mr and Mrs S's account at the time of the application in February 2021. Since then, Mr and Mrs S made an overpayment and their regular payments reduced the balance further. I don't think the offer letter itself was wrong – Barclays used the balance at the time of the application when processing the application. And the offer letter says Mr and Mrs S's monthly payments would vary as the CMP would be based on the

actual balance on the date the new rate was applied. However, I can appreciate this caused further confusion.

Barclays made an error when it didn't apply the term reduction to Mr and Mrs S's account on 1 May 2021. It corrected this in June 2021, in time for their July 2021 payment. While this did cause Mr and Mrs S worry and inconvenience, I think Barclay's offer of £300 was fair and reasonable.

Mr and Mrs S could, if they were able and willing to do so, have made up the shortfall resulting from the lower payments in May and June 2021. As I've said, I don't think it's fair to require Barclays to fund this.

My final decision

My decision is that Barclays Bank UK PLC should pay £300 to Mr and Mrs S, as it offered to do. It can deduct any amounts it's already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 18 July 2022.

Ruth Stevenson
Ombudsman