

## **The complaint**

Mr N and Mrs S complained about the difficulties they encountered when trying to redeem their mortgage with Barclays Bank UK PLC ("Barclays").

## **What happened**

Mr N and Mrs S had a buy to let mortgage with Barclays. Barclays sent them a letter in early September 2020 stating that their mortgage was due to mature on 3 April 2021 and asking that they make arrangements to redeem the mortgage. They were also offered the option of applying to extend the term of the mortgage and were asked to contact the sales team if they wanted to discuss options. Mr N and Mrs S said they tried to ring Barclays numerous times but weren't able to get through because the queue times were too long.

Barclays sent another letter in mid-February 2021 letting Mr N and Mrs S know that a maturity redemption statement would be sent 30 days before the redemption date.

Mr N and Mrs S said they didn't receive a redemption statement and so tried to ring Barclays again. They said they weren't able to get through and so spoke to an advisor using the online chat facility. They were provided with the details of the account that was to be used to repay the mortgage, but not the full redemption amount. They requested a redemption statement.

Barclays sent a redemption statement dated 23 March 2021, although Mr N and Mrs S said they didn't receive this until after the redemption date. This listed the redemption amount as £135,080.63 – made up of £135,000 capital balance and £80.63 interest.

Mr N and Mrs S weren't able to make a single payment to pay the mortgage off, so they made a payment of £50,000 on 29 March 2021, £50,000 on 30 March 2021 and £35,000 on 31 March 2021. This meant the capital balance was paid off in full.

Barclays didn't immediately apply the three payments to Mr N and Mrs S's account. The payment made on 29 March 2021 was applied on 6 April 2021. Barclays then sent Mr N and Mrs S a redemption statement dated 7 April 2021, which showed the other two payments hadn't been applied. Mr N and Mrs S contacted Barclays to query this and Barclays said it would correctly apply the other two payments.

Barclays wrote to Mr N and Mrs S on 21 April 2021 and said there was a balance of £49,996.86 outstanding on the mortgage. Barclays said the new monthly mortgage payment amount would be £45.41.

Barclays wrote to Mr N and Mrs S on 27 April 2021 to say it hadn't received a response to its letter dated 7 April 2021, and asked them to forward the redemption funds.

Mr N and Mrs S complained to Barclays.

Barclays responded on 11 May 2021. It acknowledged that Mr N and Mrs S received poor service. It said the three payments made by them hadn't been applied by it to the mortgage

account on time. Barclays said that once the payments were applied, it was only able to backdate the payments to 3 April 2021. So it offered a refund of £30 towards the interest incurred from the time the payments were made to the date the payments were backdated to. It said that, as a result of its errors, a balance of £146.45 remained on the mortgage. Barclays said it cleared this amount as a gesture of goodwill. It also offered £175 compensation, by way of an apology.

Mr N and Mrs S then brought their complaint to this Service. When our Investigator contacted Barclays, it revised its offer to Mr N and Mrs S. It offered to do the following:

- To refund the amount of £45.41 collected by direct debit on 4 May 2021.
- Pay £30 for the additional interest charged in early April 2021.
- Pay £250 for the distress and inconvenience caused.

Mr N and Mrs S declined the offer, so our Investigator then looked into the complaint. She said Barclays initially offered to waive the final repayment charge of £195 and this, along with what it offered more recently, as outlined above, was a fair outcome.

Mr N and Mrs S didn't agree. They asked for the last monthly payment of £122.62 to be refunded and for compensation totalling £500. Our Investigator said Barclays didn't need to refund the £122.62 as this was taken to cover interest from the period 3 March 2021 to 3 April 2021. She said Barclays recognised it shouldn't have charged interest between 29 March 2021 and 3 April 2021, which is why the £30 refund was being offered.

As Mr N and Mrs S didn't agree, this came to me for a 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.

There's no doubt Barclays has made errors here, in terms of the letters and statements it should have sent out but didn't, the delays in applying the payments made to the mortgage account and its inability to properly backdate the payments so that no interest would be charged. I can see how Mr N and Mrs S must have found this situation frustrating and inconvenient, in particular as they had to contact Barclays on several occasions to try and make sure Barclays put right the errors made. I can also see how they must have found it worrying to have been sent letters telling them payments they knew had been made weren't received.

I think it's important to let Mr N and Mrs S know that this Service doesn't punish businesses for errors made. When a business makes an error, our approach is to consider the impact of that error – in other words, whether it has caused distress, inconvenience or financial loss. So I've looked at what Barclays has offered to do to put things right here, to see whether what it's offered is fair.

I've first of all looked at whether any interest needs to be refunded. Mr N and Mrs S want Barclays to refund the last payment of £122.62 they made to cover interest charged on the mortgage account. But I don't think it's fair to ask Barclays to refund the entire amount. This payment was made to cover interest charged between 3 March and 3 April 2021. So the majority of this has been fairly charged. Barclays has already said it shouldn't have charged interest from the date of the first payment made by Mr N and Mrs S on 29 March 2021 to the date it was able to backdate the payments to, which was 3 April 2021. To make sure Mr N and Mrs S aren't out of pocket, it's agreed to refund a total of £30 interest. I can see that this is more than the actual interest charged during the period in question, so I'm satisfied Barclays acted fairly here when it said it would refund this amount.

Barclays also said it would waive the £195 final repayment charge, because it said it omitted this amount on the first redemption statement sent to Mr N and Mrs S, and so Mr N and Mrs S weren't aware of it. I think this is fair. In order to do this, Barclays applied a credit of £146.45 to their mortgage account. The full amount of £195 wasn't credited at that stage, as it should have been, as two other payments had been credited to the account – one of £3.14 interest and one of £45.41 for a direct debit collected in early May 2021. This means that Mr N and Mrs S didn't initially have the benefit of having these two amounts credited to their account.

However, Barclays has now agreed to refund the direct debit of £45.41, which I think is fair as interest shouldn't have been charged for April/May 2021. And the interest amount of £3.14 is part of the interest payment of £30 to be refunded to Mr N and Mrs S. This means that Mr N and Mrs S will not have suffered a financial loss of any kind, once Barclays make the refunds it's said it will make.

Barclays has also offered to pay £250 compensation for the distress and inconvenience caused. The distress here is that Mr N and Mrs S were put in a position where the lack of information meant they were unsure about how much to pay and how to pay it, and the additional worry of not knowing where their payments went when Barclays failed to correctly apply them. And they were inconvenienced by having to contact Barclays on numerous occasions to sort these matters out. I'm satisfied the amount of £250 already offered by Barclays is fair compensation for that distress and inconvenience.

### **Putting things right**

To put things right Barclays should:

- Refund £30 to cover interest charged in error to 3 April 2021.
- Refund £45.41, which is the amount of the direct debit taken on 4 May 2021
- Ensure the final repayment charge is waived.
- Pay £250 compensation for the distress and inconvenience caused.

### **My final decision**

It's my final decision that I require Barclays Bank UK PLC to refund £30 to cover interest charged in error, refund the direct debit amount of £45.41, ensure the final repayment charge is waived and pay £250 compensation to Mr N and Mrs S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N and Mrs S to accept or reject my decision before 28 July 2022

Martina Ryan  
**Ombudsman**