

The complaint

Mr L's complaint is about an offset mortgage Mr L holds with Barclays Bank UK PLC and Barclays' failure to include all Mr L's savings accounts when offsetting mortgage interest.

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 27 June 2022. All parties have a copy of that letter, so there is no need for me to repeat the details here. I will instead concentrate on giving the reasons for my decision. In addition, the main issue in the complaint has been resolved. Finally, our decisions are published, so it's important I don't include any information that might lead to Mr L being identified. So for these reasons, I will keep my summary of what happened quite brief.

Briefly, Mr L has an offset mortgage with Barclays taken out in 2008, the terms of which allow him to link his savings accounts to the mortgage account. Rather than interest being earned on his savings, it is instead used to reduce the interest on his mortgage account.

In September 2021 Mr L suspected not all his linked accounts were being used to offset the mortgage interest. Barclays agreed it hadn't linked four of his accounts since May 2008, but Barclays took no steps to redress the position. It wasn't until June 2022 that Barclays finally addressed the complaint, but Mr L had already contacted our service in March 2022.

After we became involved in the matter, Barclays again acknowledged it had made a mistake and hadn't linked all the accounts, as a result of which Mr L had been charged the wrong amount of interest since 2008. The bank recalculated the overcharged interest at £2,217.70, and penalty interest at 8% simple per annum of £1,432.83, from which Barclays deducted 20% for tax, which the bank paid direct to HMRC, leaving Mr L with £1,146.27. Barclays explained that if Mr L was entitled to reclaim the tax, he would need to contact HMRC. Barclays also paid Mr L £400 compensation.

Mr L was disappointed, as he'd calculated that the interest refund should have been about £3,000 and Barclays hadn't given him a proper explanation of its calculations.

An investigator looked at the complaint. He was satisfied that Barclays' calculations were correct. However, he thought Barclays' customer service had fallen short, and asked the bank to pay Mr L a further £350, bringing the total compensation to £750. Barclays didn't agree with this, as they said that, although Mr L was elderly, he wasn't "vulnerable" and so didn't think an award of that amount was justified.

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 confirm I've reviewed the calculations provided by Barclays. We don't provide an auditing service, but it seems to me that the calculations are correct and that the refund of £2,217.70 is the right amount, as well as the compensatory interest. I hope that this puts Mr L's mind at rest that he's now been put back in the position he'd have been in if the mistake hadn't been made, as both the investigator and I have looked at the figures and are satisfied they are correct.

The only outstanding issue is that of compensation for distress and inconvenience. Barclays has paid Mr L £400, but the investigator thought a further £350 was justified. Barclays has resisted this, saying that Mr L isn't a vulnerable person.

However, I'm satisfied that an increased award is justified here. Mr L was put to a significant amount of trouble, he was told in September 2021 that Barclays had linked the missing accounts and backdated the interest to 20 May 2008, when the bank hadn't done so. Mr L then had to chase Barclays multiple times and as a result, was made to feel as if he was in the wrong in pursuing this matter. Barclays also didn't provide Mr L with an explanation of how it had calculated the refund, to which he was entitled. Mr L is 76 years of age and the worry he was caused was significant.

In the circumstances, I'm satisfied that a further £350 is justified.

Putting things right

In addition to the interest refund and compensatory interest, and the payment of £400 for distress and inconvenience, I direct Barclays Bank UK PLC to pay Mr L an additional amount of £350 for distress and inconvenience.

My final decision

My decision is that I uphold this complaint and I direct Barclays Bank UK PLC to settle the complaint as directed above.

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

Jan O'Leary
Ombudsman