

The complaint

This complaint is about an outstanding sum on Mrs R's mortgage account which Barclays Bank UK PLC ("Barclays") previously told her had been repaid in full.

What happened

In March 2021, Mrs R withdrew £53,000 from her Open Plan reserve account and around three weeks later, repaid it. Due to a processing error, Barclays applied the sum to her main mortgage account instead of her Open Plan account. This meant Mrs R's mortgage account was showing as in credit by £23,104.04.

Mrs R raised this with Barclays in May 2021 – she confirmed that the funds had credited the wrong account. Barclays looked into Mrs R's complaint but found that her main mortgage had been repaid in full. It closed both of Mrs R's accounts and refunded £23,104.04 to her current account. It also released the legal charge on her property and paid her £100 compensation for any inconvenience caused.

Sometime later, in October 2021, Barclays informed Mrs R that it had made a mistake and that she would need to return the £23,104.04. Mrs R disputes this as her complaint was looked into before and she thought the matter was resolved. Mrs R says she's no longer able to return the funds.

Barclays looked into Mrs R's concerns and apologised for its mistake. It offered her £500 in compensation, confirmed that it hadn't reported the arrears to any credit reference agencies, but said that she would need to make arrangements to pay the sum credited to her in error as well as the outstanding balance on her main mortgage account.

Our investigator looked into Mrs R's concerns and said that Mrs R would need to repay the outstanding sums to Barclays, but due to the stress and inconvenience caused, Barclays should increase its offer of compensation to £650. Barclays accepted this, but as Mrs R remained unhappy, the complaint was passed to me to decide.

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.

Having done so, I think Mrs R's complaint should be upheld in relation to the award for the stress and inconvenience caused to her. But I do not think Barclays is wrong to ask her to repay the balances cleared on her accounts in error.

Before I explain my findings further, I note that Mrs R has asked that I speak to her before deciding the case. Our investigator explained that generally all of the information we need will already be on the file, but that the ombudsman *may* make contact if necessary. I've thought about Mrs R's request, but this is a fairly straight forward complaint, and both sides have made their points clearly. Having reviewed everything, I'm satisfied I don't need to speak to Mrs R to be able to fairly decide this complaint.

In March 2021, after Mrs R made her withdrawal, she owed £53,000 on her Open Plan account as well as the outstanding balance on her main mortgage account of £29,985.96. That means, in total, Mrs R owed Barclays £82,985.96. When Mrs R repaid £53,000, this was intended to go to her Open Plan account – her mortgage account should not have been credited, so she still would have owed £29,985.96.

While Mrs R did the right thing and reported the issue to Barclays in May 2021, Barclays made another mistake – rather than debiting the £53,000 from her main mortgage account and crediting the Open Plan account to correct the balances on both of the accounts, it settled both accounts and refunded her the amount showing in credit on her mortgage account of £23,104.04. So, at this point, effectively, Mrs R's Open Plan account closed while remaining in debit of £53,000.

Mrs R now queries whether Barclays can reverse its decision – she feels the complaint outcome she accepted in May 2021 was legally binding. I've thought about this, but as the ombudsman service is an informal resolution service, I'm not in a position to say whether the outcome Mrs R accepted was legally binding or not. But the terms and conditions of Mrs R's accounts do confirm that if an error is made in settling the accounts – Mrs R would *not* be freed from her personal liabilities.

So, although Barclays made a mistake in clearing both balances – I don't think the outstanding sums can be written off now the error has come to light. Mrs R has still had the benefit of £53,000, so she needs to pay that back – her mortgage as originally arranged, along with the £23,104.04 that was credited to her current account in error.

Barclays has said that it will re-open Mrs R's mortgage account and put it back in the position it would have been in had the error not occurred. It has also asked Mrs R to repay £23,104.04. Mrs R didn't think she needed to hold onto this sum, so she says it's no longer available. Because of this, Barclays will need to arrange a repayment plan with Mrs R and any repayment plan should be fair – taking her current circumstances into consideration.

I now have to consider the impact of the problems Mrs R experienced and whether Barclays has done enough to put things right.

It took Barclays around seven months to inform Mrs R of the mistakes it had made, despite her having told them what had gone wrong in May 2021. Mrs R has received a number of letters that concerned her. And there were times when Barclays didn't respond to her enquiries. Mrs R has understandably been worried about the possibility of this impacting her credit file or having her home repossessed even though Barclays has reassured Mrs R not to worry about this.

To my knowledge, Mrs R's credit file has not been impacted and she remains in her home, but she has had to correspond with Barclays several times, over several months, and I think what's happened will have been very upsetting to her. Considering everything, I agree with our investigator that the award should be increased to £650. I think this is fair and in line with what we would usually award under similar circumstances.

Putting things right

Barclays Bank UK PLC should:

- Increase the compensation offered to £650 in total.
- Arrange a repayment plan with Mrs R directly. Any repayment plan should be fair –

taking her current circumstances into consideration.

My final decision

For the reasons explained above, I uphold Mrs R's complaint and Barclays Bank UK PLC should put things right in line with what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 November 2022.

Hanna Johnson
Ombudsman