

The complaint

Mr and Mrs D complain that Barclays Bank UK PLC collected mortgage interest from them after they had paid the amount stated on the redemption statement to repay their mortgage.

What happened

Mr and Mrs D had a mortgage with Barclays. The mortgage included a mortgage current account (MCA) and a reserve facility.

On 6 August 2021, Barclays sent Mr and Mrs D's solicitor a final redemption statement. It said it was valid for 30 days and that the *"final redemption figure includes all transactions on the main mortgage and any linked accounts at close of business prior to the date the statement is issued."* It also said:

"On the day of redemption your clients' account will change to a Barclays Bank Account with no overdraft. As a result your clients should be advised to ensure their account is maintained in credit to avoid unnecessary bank charges. At redemption it may be necessary for Barclays Bank to place this account in credit to cover debit interest which will be applied at the normal charging period. This will ensure the overdraft borrowing has been satisfied in full, and that no further interest or charges are applied in regards to the overdraft borrowing. This will show on the statement as 'future charging interest'."

On 24 August 2021, Barclays sent Mr and Mrs D an illustrative redemption statement. It said, on the day the mortgage is repaid the MCA will become a Barclays bank account – and that they should keep that account in credit to avoid charges.

On 25 August 2021, Mr and Mrs D repaid the amount stated on the final redemption statement.

On 17 September 2021, Barclays collected around £517 from Mr and Mrs D. It said this was interest charged on their MCA, which is charged in arrears. Barclays said:

"The interest charge was included in the redemption amount calculations. When mortgages are redeemed, interest due on future date is left in credit which gets charged as per the date quoted in the monthly MCA statement. We transferred sufficient funds to close MCA on 26th August and credit left was not to be used by customer."

I issued a provisional decision, upholding the complaint in part. My provisional findings, which form part of this decision, were:

I've looked carefully at what happened. Ultimately, I don't consider that Barclays has made an error. But I don't consider the way it communicated with Mr and Mrs D was fair. I'll explain why.

The MCA statement from 20 August 2021 said that overdraft interest of £517 was due on 13 September 2021. When the mortgage was repaid, the redemption figure included the interest that was due, including the £517.

When Barclays received the redemption amount, part of that figure was placed as a credit on the MCA – in expectation of the final interest being collected on 13 September 2021. So if Mr and Mrs D didn't use the account after redemption, the interest would have been collected.

The problem here was that Mr and Mrs D did use the account – and that meant that when the interest was collected, it took Mr and Mrs D's account overdrawn by around £100. I don't consider it was unfair for Barclays to collect the interest on 13 September.

I don't consider that Barclays' communicated clearly or fairly what would happen when the mortgage was redeemed. I accept the August statements showed that interest was due to be collected on 13 September. But there were a number of shortcomings in Barclays' communication:

- While the final redemption statement sets out that a credit might be placed on the account – it said this would show on "the statement" as "future charging interest". As far as I can see there is no reference to "future charging interest" on either the final redemption statement or the August MCA statement. The August statement refers to "charges coming up" and "overdraft interest" but not the wording used by Barclays. I can see how Mr and Mrs D (and it seems their solicitor) would understand that there would not be the need for any credit on the account as Barclays never told them there was any "future charging interest" applicable.*
- The warnings from Barclays merely state that Mr and Mrs D should maintain their account in credit. Bearing in mind, they reasonably understood the mortgage had been repaid in full – and that there was no need for a credit – I think that they believed they were running the account in credit.*
- Overall, Barclays had an obligation to communicate in a way that was clear, fair and not misleading. I can see how if it had used consistent language in its communication – or even perhaps set out in a more accessible way what it was going to do this situation would probably have been avoided.*

I consider the £517 was always due. So I can't ask that to be refunded. But I don't consider that Barclays communicated fairly in the circumstances of this complaint. I note that it was only Barclays' latest response to the investigator where I think it has set out its position in a clear and understandable way.

Mr and Mrs D have acted in good faith. I think if Barclays had explained the position fairly, they would not have used the MCA and incurred an overdraft. So I think it would be fair for Barclays to:

- Refund any interest and charges they have incurred. Barclays should confirm in response the amount.*
- Remove any adverse information relating to this matter from their credit files if it has recorded such information.*
- Pay Mr and Mrs D a total of £150 for distress and inconvenience. Mr and Mrs D have had the distress of seeing the unexpected payment being taken and the inconvenience of pursuing this matter to this extent.*

Barclays accepted my provisional conclusions. It confirmed that no interest and charges were applied because of what had happened and that it hadn't reported any adverse information on Mr and Mrs D's credit files.

Mr and Mrs D did not accept my provisional findings. They made a number of points, including:

- Both they and their solicitor believed the final statement was just that – the final amount they owned. It didn't say there was further interest due.
- They couldn't be expected to predict what Barclays would do.
- The previous bank statement said that £517 will be added long before the final redemption statement was requested. There was no mention of an additional £517 being collected.
- Barclays was not complying with its own definition on its website, which says the final redemption statement "will confirm the exact amount, including any applicable fees and interest due, to fully repay your mortgage on that date."

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 appreciate Mr and Mrs D's confusion. That is entirely understandable – I've already found that Barclays' communication wasn't as clear as it could have been. But Barclays did tell Mr and Mrs D's solicitor:

"At redemption it may be necessary for Barclays Bank to place [the MCA] in credit to cover debit interest which will be applied at the normal charging period. This will ensure the overdraft borrowing has been satisfied in full, and that no further interest or charges are applied in regards to the overdraft borrowing."

So Barclays did tell Mr and Mrs D that a credit would be placed on the MCA to cover any interest that was due. If Mr and Mrs D had not used the credit on the MCA the mortgage would have been repaid in full. They would not have needed to pay anything other than what was set out on the redemption statement. The credit (which came from their redemption amount) would have covered the interest that was later collected.

But Mr and Mrs D did use the MCA. They spent some of the credit that Barclays had placed on the account to cover the interest that was due. So when Barclays collected the interest that was due, there wasn't enough in the account to cover the whole amount.

As I've said, I agree that the way Barclays has done things here could lead to confusion – and it could have done more to tell Mr and Mrs D what it was doing. But the money was always due. It was only because of Mr and Mrs D's actions that they had to pay a further amount. But that does not mean the final redemption statement was wrong – or not "final".

It's taken Barclays a number of months to provide a clear explanation of what happened. And I agree that Mr and Mrs D have been caused distress and inconvenience. It is unlikely they would have used the MCA had Barclays been clearer about what it was doing. But there is no financial loss. I consider £150 is a fair amount to reflect the distress and inconvenience Mr and Mrs D suffered when the interest was taken from the account.

My final decision

My final decision is that Barclays Bank UK PLC should pay Mr and Mrs D £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 17 November 2022.

Ken Rose
Ombudsman