

The complaint

Mr K and Mrs K complain Barclays Bank UK PLC failed to provide accurate information regarding arrears on their mortgage account; about the impact of the arrears on their credit files; and about the service Barclays provided when they contacted them to resolve their concerns.

What happened

In 2013 Mr K and Mrs K took out an offset repayment mortgage of around £175,000 over a term of 25 years with Barclays.

During the coronavirus pandemic, they agreed two three-month payment deferrals with Barclays from March to September 2020. In around November 2020, Mr K unfortunately lost his job. Barclays initially agreed a further three-month deferral from January 2021. But they realised they'd already agreed six months deferrals in line with Financial Conduct Authority guidance relating to the pandemic. And, in February 2021, following discussions with Mr K, Barclays agreed to defer payment for January 2021 while they reviewed the account.

In February 2021 Barclays agreed to an interest only payment arrangement during February, March and April 2021. Barclays initially brought the arrangement to an end with effect from 1 April 2021, instead of 1 May 2021. But they rectified that and wrote to Mr K and Mrs K letting them know they'd start collecting direct debit payments of around £795.50 from June. That meant a manual payment was necessary for May.

Mr K and Mrs K didn't make a payment in May. The June payment was returned. And the direct debit was cancelled at that point. After Barclays contacted them in July about the arrears that were building up, Mr K spoke to Barclays. They agreed to provide a statement of Mr K and Mrs K's account and paid them £30 to resolve their concerns.

Mr K spoke to Barclays over the following months. He was still concerned they hadn't provided clear information about how the arrears were calculated. And he wanted that resolved before he and Mrs K made any further payments or agreed terms for repaying the arrears. Mr K felt Barclays had provided poor service since he'd spoken to several representatives and had to explain his situation many times. And he was unhappy Barclays had recorded adverse information on his credit file.

No resolution was reached between Barclays and Mr K and Mrs K. They brought their complaint to the Financial Ombudsman. Barclays' responded to Mr K and Mrs K's complaint before we looked into it. They didn't feel they'd made any mistakes. They'd explained they'd given Mr K and Mrs K options about paying the arrears in July 2021 but they'd failed to return the direct debit mandate; they'd told them how they could discuss the arrears in September 2021; the mortgage had been reported as being in arrears at the end of each month from July 2021 onwards; they'd posted £770.73 to the account due to an error they'd made with how the account was being managed which led to the offset amount being lost. And they'd confirmed the arrears as being £2,602.43.

Since Mr K and Mrs K didn't accept Barclays' response, our investigator looked into their complaint. He thought Barclays had done enough to address Mr K and Mrs K's concerns about the arrears by sending them a statement in July 2021 with a direct debit mandate for them to complete to reinstate payments. He thought Barclays had explained what Mr K and Mrs K needed to do to address the arrears and that they could have made arrangements to make their CMP by means other than direct debit, knowing a mandate wasn't in place. Our investigator noted Barclays had adjusted the account to take account of a mistake they'd made in the way they'd been managing it, which meant Mr K and Mrs K had lost out on the offsetting benefit for a time. And he thought it was fair that Barclays had recorded the missed payments on Mr K's credit file since Mr K and Mrs K could have paid the CMP but failed to.

Mr K and Mrs K didn't agree with our investigator's view and thought he'd overlooked their concerns about the service Barclays had provided. So, their complaint was passed to me to review afresh. I recently issued a provisional decision, an extract of which follows:

What I've provisionally 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.

Since I've come to a different view than our investigator, I'm issuing a provisional decision to give the parties time to comment before I issue a final decision.

Mr K and Mrs K have an offset repayment mortgage with Barclays which operates on a "payment reducing" basis. Their mortgage is subject to a contractual monthly payment (CMP) made up of capital and interest. Broadly, any balances in accounts linked to the mortgage are offset against the balance of the mortgage thereby reducing it. And Mr K and Mrs K pay interest on the reduced mortgage balance. Since the amounts in the linked accounts and the mortgage balance change from time to time, the CMP can change too.

Mr K and Mrs K's mortgage offer explained in terms that I think were clear, fair and not misleading – as I'd expect them to be in line with Financial Conduct Authority rules – how the mortgage worked. So, I think it's reasonable to think Mr K and Mrs K understood. And I can see Mr K was expecting their mortgage payments to be reduced through offsetting when he spoke to Barclays in November 2021. So, I think he knew how the mortgage operated.

I'm conscious Mr K's said he and Mrs K didn't receive some of the letters Barclays sent them. The letters I've seen were correctly addressed. I've no reason to think Barclays didn't send them. So, unless there were issues with the postal service at the time, I'd expect them to have got to Mr K and Mrs K.

I think Barclays made it clear to Mr K that it would be necessary for him and Mrs K to make a manual payment when they were about to resume payments in May 2021. Barclays' notes suggest they told Mr K that on the phone and the letter Barclays sent them on 11 May said clearly that direct debit payments would start again from June.

The June direct debit was returned, unpaid. It's not clear why. Barclays say that two direct debits had been missed which meant the direct debit was cancelled. It's unclear which two payments they're referring to. But since Mr K and Mrs K didn't pay in May or June, arrears began to build up; and that led to Barclays writing to them about the arrears in July.

Barclays explained how the offset account worked on a call in July 2021. They said they'd send Mr K and Mrs K a statement for the previous year to date. And they'd put a paper

direct debit mandate in the post for Mr K and Mrs K to complete. They didn't return the mandate.

The statement I understand Barclays sent then was for the year ended 30 September 2020. It set out the CMP as £774.14 and showed the payments due as being significantly lower, reflecting the offsetting. But it only provided information about payments that had been missed due to pandemic payment deferrals, which Mr K and Mrs K weren't required to repay. It didn't explain the arrears Mr K and Mrs K wanted to clarify. So, I can understand the position was still unclear after the July conversation.

I think some of the later information Barclays provided was confusing and they made some mistakes in managing Mr K and Mrs K's mortgage account. They've also given us some conflicting information. For example:

- Barclays initially told us Mr K and Mrs K's account was switched to interest only payments for February, March and April 2021. Their records suggest that's what they discussed with Mr K would happen. They've said recently a payment holiday was put in place, so nothing was paid for three months. And the annual statement for October 2020 to September 2021 suggests that's what happened.
- Barclays had to make adjustments to the account in April 2021 to put right errors in switching the account back to repayment too soon and incorrectly capitalising some arrears.
- Barclays wrote to Mr K and Mrs K in April and May letting them know they'd begin collecting a CMP of £795.50. But when they wrote to them in July about the arrears for May and June, they said an amount of £585.45 should be paid. Mr K questioned the different information about the arrears Barclays had provided.
- Barclays notes suggest they had different information recorded on different internal systems about the arrears.
- The statement of account Barclays sent Mr K and Mrs K in September 2021 listed three missed payments for June to August 2021 of £795.50, a total of £2,386.50, whereas the arrears were stated as £2,381.26. Barclays haven't been able to explain the difference. And the figures don't seem to take into account payments missed earlier in the year or any offsetting that may have been appropriate at the time, since they were worked out at the full CMP.
- The annual statement for October 2020 to September 2021 shows missed payments from February 2021 to September 2021 inclusive. The figures for June to August are different to those set out in the September statement of account. The total arrears figure shown as £3,176.76 isn't equal to the total of the missed payments set out in the body of the statement. And the amount due for September is shown as £795.50, whereas the other figures seem to have reflected offsetting.
- In around December 2021, Barclays said the account was operating on the wrong basis – "term reducing" rather than "payment reducing" – which I understand meant Mr K and Mrs K's monthly CMP didn't reflect the offsetting that ought to have taken place. Barclays seem to have made a payment of around £770 to the account in around January 2022 to put that right.

Bearing the above in mind, I can understand why Mr K and Mrs K were reluctant to make any payments or set up a repayment plan for the arrears until Barclays had clarified the figures. I appreciate Barclays' point that they explained to Mr K in July 2021 that the arrears may be showing differently on different letters due to the account offsetting. And I note Barclays had asked Mr K for income and expenditure information several times so a repayment plan could be set up.

I don't think it was unreasonable for Mr K and Mrs K to want a clear figure for what they owed before paying anything towards the arrears. But I'd expect them to have arranged to make a manual payment for the CMP due in May, since Barclays told them that was necessary. It seems likely, from what Barclays have said, if they'd done that, the June direct debit would have been collected. And if Mr K and Mrs K had completed the direct debit mandate in July, further arrears wouldn't have built up and later issues would probably have been avoided.

Arguably Mr K and Mrs K had details of the arrears, for February to August 2021 at least, when they got the statement for the year ended 30 September 2021 in October that year. The statement suggests offsetting had been operating correctly until September 2021 when the full CMP appears as unpaid on the statement. I note Mr K provided income and expenditure information in November. An issue then arose about putting a repayment plan in place because Barclays noticed they'd been managing the account on the wrong basis, and an adjustment was required to the account to show the position correctly.

Bearing all of the above in mind I think Barclays are partly at fault here. But I think Mr K and Mrs K could have avoided arrears between May and September if they'd arranged to pay the CMP in May manually and completed the direct debit mandate in July. Regardless of their dispute with Barclays, I don't think it was reasonable for them simply not to pay.

I've thought about how to put things right in a way that's fair and reasonable to both parties.

I'm not aware Barclays have provided Mr K and Mrs K with a statement that clearly sets out all the arrears they owe. I think they should do so now. I'd encourage the parties to then agree how Mr K and Mrs K will pay them off.

Mr K is concerned about information recorded on his credit file. I'm not aware of what it shows. But Barclays are required to report arrears and payment arrangements, so it's not unreasonable that they have done so in Mr K's case.

I think it's fair to say Mr K and Mrs K would have been in a position to start clearing the arrears from November 2021 if Barclays hadn't then made a mistake in managing the account. Based on the income and expenditure information Mr K provided in November, it seems he and Mrs K would have been able to pay £200 a month over and above the CMP of around £800. In January 2021 around £190 was being offset to bring the CMP down to around £610. So, subject to any changes to the accounts they were offsetting, Mr K and Mrs K would have been able to pay around £390 towards the arrears.

From what I've seen so far, I think Mr K and Mrs K's credit files ought fairly to reflect:

- *The agreement to defer payment in January 2021*
- *The payment holiday between February 2021 and April 2021*
- *Missed payments between May and October 2021*
- *That an arrangement to pay off the arrears could have been put in place from November 2021 onwards*

Subject to any comments the parties may have, Barclays should adjust Mr K and Mrs K's credit files accordingly. Based on what I've seen I think these changes would fairly reflect what Barclays agreed with Mr K and Mrs K and what they could and should have paid.

In addition, I think Barclays should pay Mr K and Mrs K compensation to reflect the sometimes poor service they provided. Their initial decision to allow a payment deferral under pandemic guidelines was incorrect. They took payment in January 2021 when Mr K and Mrs K weren't expecting it. They set up a payment holiday for February 2021 to April 2021, when it seems that Mr K and Mrs K were expecting to pay interest only. Confusing information was provided between July and October 2021. And Mr K spent a lot of time trying to resolve things on the phone with Barclays. Barclays made a mistake about how to manage the account which delayed putting in place a plan to repay the arrears that had built up.

I can understand this was frustrating and time consuming for Mr K and Mrs K. But, as I've explained, I think some of the inconvenience could have been avoided if they'd paid the CMP from May. On balance, I think it would be fair for Barclays to pay £250 for distress and inconvenience by way of compensation.

My provisional decision

Barclays Bank UK PLC should:

- 1. Provide Mr K and Mrs K with a statement of arrears within 14 days of them accepting my final decision, should they choose to do so.*
- 2. Amend Mr K and Mrs K's credit files to reflect*
 - a. The agreement to defer payment in January 2021;*
 - b. The payment holiday between February 2021 and April 2021;*
 - c. Missed payments between May and October 2021; and*
 - d. That an arrangement to pay off the arrears could have been put in place from November 2021 onwards.*
- 3. Pay Mr K and Mrs K £250 compensation for distress and inconvenience.*

Developments

Barclays agreed they'd provide Mr K and Mrs K with an arrears statement and amend their credit files to reflect "all agreed arrangements". They agreed to pay the £250 compensation I recommended.

Mr K and Mrs K were unhappy with the level of compensation I proposed. Mr K referred to the time he'd spent on the phone with Barclays and in branch trying to resolve the issues. He was unhappy his credit rating caused by the situation with Barclays had prevented him from getting loans to buy a car, carrying out home improvements and changing his mortgage. He'd also felt obliged to pay a subscription to a credit reference agency to check his rating each month.

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 considered Mr K and Mrs K's concerns about the time spent and steps taken trying to resolve things with Barclays when coming to my provisional decision. Mr K had previously

mentioned the problem he'd had in borrowing. I note the impact it had. And I understand he wanted to keep up to date with his credit score. But it was his choice to incur a cost in checking each month. I don't think it would be fair to ask Barclays to meet that.

The compensation I recommended reflected not only Barclays' errors, but the contribution I felt Mr K and Mrs K made to their situation. Taking everything into consideration, I'm not persuaded it's fair to increase the figure.

So, my decision remains as set out in my provisional decision for the reasons I explained there. In case there's any misunderstanding on the part of Barclays, I expect the changes to the credit file to reflect not only arrangements that were in place, but also that an arrangement could have been put in place in November 2021. And the statement of arrears Barclays provide will need to take into account the offsetting arrangements.

Putting things right

I see no reason to change my mind from my provisional decision about how Barclays should put things right.

My final decision

I direct Barclays Bank UK PLC to:

- 1. Provide Mr K and Mrs K with a statement of arrears within 14 days of them accepting my final decision, should they choose to do so.*
- 2. Amend Mr K and Mrs K's credit files to reflect*
 - a. The agreement to defer payment in January 2021;*
 - b. The payment holiday between February 2021 and April 2021;*
 - c. Missed payments between May and October 2021; and*
 - d. That an arrangement to pay off the arrears could have been put in place from November 2021 onwards.*
- 3. Pay Mr K and Mrs K £250 compensation for distress and inconvenience.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 23 November 2022.

Julia Wilkinson
Ombudsman