

## **The complaint**

Mr and Mrs W have complained about how Barclays Bank UK Plc ("Barclays") has handled arrears on their mortgage and mortgage current account ("MCA").

## **What happened**

Mr and Mrs W have previously complained to this service and a final decision was issued on 29 February 2020. The decision concerned the legal action Barclays had taken and was upheld in Mr and Mrs W's favour. The decision said that Barclays should refund any legal costs charged since 2016, excluding the costs associated with the initial action. It also awarded Mr and Mrs W £750 for their time, trouble, upset and incidental costs.

Since then, at the time of complaining, Mr and Mrs W said there was still no repayment plan in place even though they've made every mortgage payment on time and cleared a lump sum of £6,000 off of their arrears.

Mr and Mrs W are unhappy that when they paid off the lump sum, they say Barclays requested the sum be split between the arrears on their mortgage and MCA. Mr and Mrs W say the interest rate on the MCA is higher and so their preference would have been for the whole lump sum to contribute to the MCA, allowing them to clear their arrears faster. Mr and Mrs W don't think it was fair for Barclays to have insisted it be split.

Mr and Mrs W are also concerned that Barclays is still reporting to credit reference agencies that they were not making their payments on time. Barclays initially said that Mr and Mrs W were making their payments late as a result of making their payments manually. Barclays now says it has attempted to record a repayment plan on its system several times, but there is a system error which shows the plan as having been broken even though payments have been made on time. Barclays is still looking into how to resolve this error.

In the meantime, Barclays has now made amendments to Mr and Mrs W's credit files to show that they have been making payments in line with an arrangement on their accounts. But every month, a new missed payment is recorded, and Mr and Mrs W are concerned this will continue to happen in future. They say this has caused significant damage to them as they have higher interest rates on other products they have taken and have been unable to obtain a government renewable heating scheme they applied for as a result.

Mr and Mrs W believe the system error has been causing problems dating back over a few years. So, they think Barclays should have established the problem sooner and that it should have come out during their previous complaint. They say that if that had happened, they believe their own legal expenses should have been refunded. And they feel this is even more reason for Barclays to consolidate their arrears, which they have so far refused to do. Mr and Mrs W say this has all had a significant impact on their wellbeing, particularly for Mrs W who is on medication for high blood pressure.

Barclays has not issued a final response letter about all of these issues but confirmed the ombudsman service could investigate the complaint. So, our investigator looked into Mr and Mrs W's concerns and upheld the complaint. They understood Barclays was still trying to resolve the technical issue but said it should make sure there was no ongoing impact to Mr and Mrs W's credit files, which means monitoring and amending the account every month until the problem is resolved. They also thought Barclays should pay Mr and Mrs W £300 for the distress and inconvenience caused.

I issued a provisional decision on 15 March 2023. Below is an extract of what I said:

*"I think Mr and Mrs W's complaint should be upheld. I'll explain why. Firstly, I'd like to make it clear that I can't issue any further findings in relation to what was already considered by the ombudsman that previously issued a final decision. My findings will focus on what has happened since that complaint was resolved as follows.*

### **Repayment plan**

*I can see that Mr and Mrs W discussed a repayment plan with Barclays in July 2020 and were under the impression at this point that everything was in order. They were then told by their complaint handler that the person they spoke to didn't have the authority to set up the plan as discussed and so an arrangement wasn't actually in place. It seems to have taken a long time to get a plan arranged, as I can't see this happened until around January 2021, when Mr and Mrs W received a letter setting out how much they would need to contribute to both the mortgage and MCA going forward.*

*Despite making their payments on time every month, Mr and Mrs W received letters advising them they had broken their arrangement. It doesn't appear as though Barclays realised the error lied with its own system until around September 2021 and to date, as far as I'm aware, the issue has still not been resolved and I think this will have had a significant impact on them.*

*I've also thought about Mr and Mrs W's concerns about the higher interest rates they're paying on products taken with third party lenders. I appreciate their view that the missed payments previously appearing on their credit files could have contributed to their interest rates being higher, but it's difficult for me to find that this was the sole reason for that. Mr and Mrs W are still in significant arrears despite their commitment to regularly paying off the amount they owe. Their credit files will still need to show that they are in an arrangement to repay those arrears, and this has been the case for the last six years.*

*So, while I know this will be disappointing for Mr and Mrs W, I'm not persuaded Barclays can be held responsible for their higher interest rates elsewhere, or if their application for a government renewable heating scheme was unsuccessful. But I do think Barclays should award greater compensation for the longevity of its computer system error and the impact this has undoubtedly had on Mr and Mrs W. I think £500 is a more acceptable figure.*

### **Lump sum payment**

*Mr and Mrs W are unhappy about how the lump sum payment of £6,000 was allocated against their outstanding debt. They say Barclays insisted the sum be split between the arrears on their mortgage and the arrears on their MCA and they don't think this was fair as the interest rate on their MCA is higher than on their mortgage.*

*I asked Barclays, via our investigator, to confirm its thoughts on this matter. In particular whether there was any requirement for Mr and Mrs W's deposit to be split between both accounts, and if so, where this is stated in the terms and conditions of their account.*

*Barclays hasn't provided an answer to this question after multiple requests and so I haven't seen enough to persuade me Mr and Mrs W had to do this, or that it was appropriate for them in the circumstances. Mr and Mrs W say their preference would have been for the whole lump sum to contribute to the MCA, allowing them to clear their arrears faster and they believe their MCA would have been completely repaid by now were it not for this.*

*As Barclays hasn't been able to demonstrate why the deposit was split, I think it's more likely than not Mr and Mrs W were told to split the payment when they didn't need or want to. So, Barclays should adjust Mr and Mrs W's mortgage account and MCA to reflect that the full £6,000 was credited to the MCA if this would have benefitted Mr and Mrs W. Barclays should provide a copy of its calculations to Mr and Mrs W so they can see the impact this has had on their accounts.*

### **Consolidation of arrears**

*Mr and Mrs W have repeatedly asked for their arrears to be capitalised and understood this had always been refused.*

*I found an internal email dated 23 June 2022 in Barclays' records that says the panel agreed the arrears on the mortgage could be consolidated given all of the ongoing IT issues. This was said on the condition Mr and Mrs W completed a new income and expenditure and made an arrangement to repay the arrears on the MCA.*

*I can see that two Barclays' representatives were asked to share this information with Mr and Mrs W, but I haven't seen anything to confirm this was done. I asked Barclays, via our investigator, to confirm its thoughts on this but, as I've explained above, I haven't received a response despite several requests and extensions given. So, based on what I've seen, I think Barclays should make arrangements to consolidate Mr and Mrs W's arrears if Mr and Mrs W agree.*

*I think it's reasonable to find Mr and Mrs W would more likely than not have accepted this offer promptly considering the history of their contact with Barclays. So, I think the consolidation should be back dated to 23 June 2022, when Mr and Mrs W should have been informed of the offer and could have provided an income and expenditure and agreed a new sum for any remaining arrears on the MCA.*

*Any future arrangement Barclays makes with Mr and Mrs W to repay any outstanding sum due on their MCA should factor in the above reconstruction of their account – with the £6,000 having been paid solely towards the MCA at the time the payment was made. Barclays should provide Mr and Mrs W with up-to-date statements of their accounts after all of the adjustments have been made along with any relevant calculations. And Barclays should ensure Mr and Mrs W's credit reports reflect the above adjustments and accurately reflect any ongoing arrangement for arrears on the MCA."*

### **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.*

Barclays responded to our request for further information the same day my provisional decision was issued. Since then, Barclays and Mr and Mrs W have accepted my provisional decision with no further comments.

I haven't seen anything in the information Barclays provided that would change my provisional findings considering both parties have accepted the proposed outcome. So, for the reasons I explained in my provisional decision, I still think Mr and Mrs W's complaint should be upheld and Barclays should put things right as set out below.

### **Putting things right**

Barclays Bank UK Plc should:

- Adjust Mr and Mrs W's mortgage account and MCA to reflect that the full £6,000 lump sum was credited to their MCA when the payment was made.
- Consolidate the arrears on Mr and Mrs W's mortgage, back dated to June 2022.
- Agree a suitable repayment plan for any outstanding arrears on Mr and Mrs W's MCA account.
- Provide Mr and Mrs W with a copy of its calculations and up-to-date statements on both accounts in relation to the above adjustments.
- Ensure Mr and Mrs W's credit report is up to date and accurately reflects the above adjustments. It should continue to accurately reflect any ongoing agreement thereafter.
- Pay Mr and Mrs W £500 for the continued stress and inconvenience caused to them.

### **My final decision**

My final decision is that I uphold this complaint and direct Barclays Bank UK Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 17 May 2023.

Hanna Johnson  
**Ombudsman**