

The complaint

Miss D complained that Barclays Bank UK PLC gave her incorrect information about her overpayment allowance, which led to her making the payment in the wrong overpayment period. It then failed to resolve the problem, withholding a promised refund.

What happened

Miss D told us she has a 10% annual overpayment allowance on her mortgage with Barclays. She'd checked with Barclays, to see when she could make an overpayment. She wanted to make sure she'd used the full overpayment allowance for the year which was just ending. But she was given the wrong date, and the wrong amount. So she paid at the start of the new year, not at the end of the old year. And she paid more than her annual allowance. Not all of the money she paid to Barclays had been credited to her account. And although Miss D had asked it not to, she said Barclays reduced her monthly mortgage payment.

Miss D said that when she tried to contact Barclays about this, it just didn't appear to be able to sort things out. It promised her a refund, but then didn't pay it. She didn't get this money back for months.

Barclays said it understood Miss D had been told she could pay on either 31 August 2022, or 1 September, and the payment would be applied to the 21/22 overpayment year which was just ending. She made a payment of £11,000 late on 31 August, it was applied to the 22/23 overpayment year, and an ERC was charged.

Barclays said it then backdated the payment for Miss D, it refunded the £8.85 ERC it had applied, and paid £125 in compensation. It said it hadn't then realised that it hadn't refunded the amount Miss D had paid which was over her annual allowance, and it hadn't paid this onto her mortgage either. So it later paid this amount, £177.06, back to Miss D.

Barclays accepted it had given Miss D some wrong information, but it thought the compensation it had paid made up for this.

Our investigator didn't think this complaint should be upheld. He thought Barclays had given Miss D wrong information, and it had taken a couple of months for her to get back the amount Barclays hadn't applied to her mortgage. He said Barclays had acknowledged its error and backdated her payment so that it fell within the 21/22 allowance year. Barclays had also refunded the £177.06 Miss D had paid, in excess of her permitted allowance, and the £8.85 ERC that she'd been charged.

Our investigator also said Barclays had reduced Miss D's monthly mortgage payment because Miss D's balance was reduced, but when Miss D had asked to keep her payment the same, Barclays had done that. It had also paid £125 in compensation. Our investigator thought that had provided a fair and reasonable outcome to her complaint.

Miss D wasn't happy with that. She said the offer of compensation Barclays made, was made at a point when it still had £177.06 of her money, it hadn't applied this to her mortgage, and hadn't apparently realised it had just kept it. Miss D said that when she asked Barclays

about this, it didn't seem to know where her money had gone. And she spent many hours on the phone, just trying to get her own money back.

Miss D didn't think that the offer Barclays made was enough to compensate for the time it took to sort out its further mistakes. She thought it was important to note that Barclays made this offer before it even realised those extra mistakes had been made.

Miss D said she was very unhappy now about having to work with the bank going forward, but that she wasn't able to move her mortgage right now. This case then came to me, and I reached my provisional decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I asked Barclays for some further information in this case. It has sent me details of the transactions on Miss D's mortgage when her overpayment was made. It's also told me that it cannot find the call where it wrongly advised Miss D, although it doesn't appear to contest that it gave Miss D some wrong information.

I think there are two issues in this case – the overpayment Miss D made at the end of August, and her monthly payment amount. I'll look at those in turn.

The August 2022 overpayment.

The transactions on Miss D's mortgage do show that an overpayment of £10,822.94 was credited to her account on 31 August. So, although it does seem likely that Barclays gave Miss D some wrong information about her overpayment, I think that Barclays has backdated the payment, as it said it would.

When Barclays wrote to Miss D on 20 September, about her complaint, it said it had backdated the full amount of her payment, which was £11,000. And that meant she had to pay an ERC of £8.85, because she'd gone over her annual overpayment allowance a little.

But Barclays hadn't done that. It appears to have backdated the amount of Miss D's 21/22 allowance instead, so £10,822.94. And despite the fact that this would seem to mean that Miss D didn't owe an ERC for that payment, Barclays still charged an ERC of £8.85 to her mortgage. That also meant that a little under £200 that Miss D had paid, didn't reach her mortgage at all.

Barclays doesn't appear to have realised this. Miss D did realise that not all of her money was accounted for. And she said she had to contact Barclays repeatedly to get things sorted out. There has clearly been some confusion about this.

Barclays says it has now paid Miss D £125 in compensation, and refunded the ERC of £8.85 that it charged, back to Miss D. It also paid back £177.06 which is the unallocated part of her payment. Although Miss D made her overpayment at the end of August, and was promised at least some of this money in mid-September, it looks as if none of these payments were made until mid-October.

I can understand why Miss D has had some difficulty making sense of this. There doesn't appear to be any logical explanation for what Barclays has done. And although I'm happy that Barclays no longer retains any money which ought to have either been

applied against Miss D's mortgage or returned to her, I can also understand why Miss D has not only found this deeply frustrating, but would say she has now lost faith in her bank.

All but £125 of the payment Barclays made in mid-October was a refund, rather than compensation. And I don't think that a compensation amount of £125 makes up for what's gone wrong here, particularly considering how long this has taken to resolve, and the wider concerns this has raised for Miss D. So I'll think about that, when I think about the appropriate amount of compensation in this case.

Miss D's monthly payment amount

Barclays says that when someone overpays on their mortgage, that payment reduces the contractual monthly payment ("CMP") which is due. Miss D's CMP is around £600. But it also said that Miss D had a fixed payment amount on her mortgage, so she would be paying close to £700 every month, as she'd requested. That means she's making a small overpayment each month.

I can see that Barclays' internal notes say its app will show, as her monthly payment, the amount of her CMP, so this will continue to reduce in line with her small monthly overpayments. But Barclays says that the amount which will actually be taken each month will stay the same, in line with Miss D's request.

I haven't been able to see that Barclays has explained this to Miss D. The fact that Miss D repeatedly expressed concerns about changes to her monthly payment, makes me think it hasn't done so. I think it would have helped if this simple explanation had been provided to her. So I'll think about that too when I think about the appropriate amount of compensation in this case.

Compensation

I do think Barclays has let Miss D down here. Its initial mistake, in giving Miss D wrong information, ought to have been easily put right. And although Barclays appeared to be willing to take action to put things right, unfortunately further mistakes in making the required changes have just made things worse for Miss D. I think this has taken up a lot of her time, and left her with wider concerns about the administration of her mortgage. And I also think that even a smaller issue, like the automated changes to Miss D's CMP in the Barclays app, just doesn't seem to have been clearly explained to her.

For these reasons, I think Barclays should pay a total of £300 in compensation for this complaint. Barclays has already paid £125, so that means it must pay £175 now. I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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 said it would agree to pay the additional compensation I'd suggested, because of the poor customer service Miss D had experienced.

Miss D said she agreed with the provisional decision, and was pleased that the decision recognised her frustrations and the time she'd spent on this issue.

Miss D said she noted that Barclays hadn't been able to find the call where it wrongly advised her, but Miss D said this mistake happened when she tried to make her overpayment, in August 2022. She said she was told then that she couldn't make the payment. She agreed that her overpayment had later been allocated correctly, but said Barclays added to the confusion by sending multiple letters acknowledging the payment of £11,000 had been applied to her mortgage, then another saying a lower amount had been applied, without recognising the difference in the amounts. She was glad this confusion had been noted in my decision.

Both sides have accepted my provisional decision, and I haven't changed my mind. So I'll now make the decision I originally proposed.

My final decision

My final decision is that Barclays Bank UK PLC must pay Miss D £175.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 16 August 2023.

Esther Absalom-Gough

Ombudsman