

The complaint

Ms K says Barclays Bank UK PLC asked her for higher monthly payments after she took out a new product. She asks that her monthly payments are as set out in the product offer.

What happened

Ms K's mortgage product was due to expire on 31 October 2022. She spoke to Barclays in early September 2022 and it sent her an offer for a new fixed rate product. This said her new monthly payments would be about £477.

The monthly payments set out in the product offer had been calculated using the wrong mortgage balance. Barclays re-calculated Ms K's monthly payments using the correct mortgage balance. In early November 2022 Barclays wrote to Ms K saying her new monthly payments would be about £491. Ms K raised a complaint.

Our investigator said while Barclays made errors the £250 it had paid was fair compensation for the effect on Ms K. She said it was fair for Barclays to re-calculate the monthly payments using the correct balance and this hadn't caused Ms K financial loss.

Ms K didn't agree. She said she'd have re-mortgaged elsewhere if she'd been given the correct figures initially. She didn't consider £250 enough compensation for the higher monthly payments.

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 think that Barclays made an error when it used the wrong mortgage balance to calculate Ms K's monthly payments. The product offer said the monthly payments were based on a balance of £40,200. The actual balance was about £1,000 higher. As a result, the monthly payments in the product offer were wrong. I also think that Barclays took too long to explain what had happened. However, I don't think it's fair and reasonable to require Barclays to set Ms K's monthly payments at the amount set out in the product offer. I've explained why below.

- When Ms K took out the new product she agreed to the terms of the product, such as the interest rate and how long the product will be in place for. The monthly payment isn't itself a term of the product – it's calculated using the outstanding balance, remaining term and interest rate.
- The product offer said the actual monthly payments may vary slightly as they will be based on the mortgage balance on the date the rate is applied. Ms K was also told this when she discussed the product with Barclays in early September 2022. So Ms K was made aware the amount of her monthly payments could be different.
- The product offer sets out the monthly payments to help customers in making a decision.

I think Ms K was entitled to expect the monthly payments to be calculated correctly.

- Barclays gave Ms K correct information about her balance and her monthly payments on 2 November 2022.
- I don't know that Ms K would have re-mortgaged elsewhere if she'd been told her monthly payments would be £491. She hasn't provided evidence that she looked elsewhere and compared what her monthly payments and other costs would be.
- If Ms K had re-mortgaged, the new lender would also have calculated her monthly payments based on the actual mortgage balance.
- Barclays re-calculated Ms K's monthly payments using the correct mortgage balance. As Ms K is making correct monthly payments, I don't think she's suffered financial loss.
- Ms K monthly payments are calculated to ensure the mortgage is repaid by the end of the term. If Ms K pays too little each month there's a risk the mortgage won't be repaid by the end of the term. The balance would also reduce more slowly, which means Ms K would pay more interest overall.

But the information Barclays provided in the product offer wasn't correct, and this did result in upset and inconvenience to Ms K. When Ms K spoke to Barclays in early September 2022 about taking out a new product, she said she wanted a fixed rate as she likes to know exactly what she's paying each month. It must have been upsetting for Ms K to be told in November 2022 that her monthly payments would be higher than she'd expected.

Barclays gave Ms K correct information about her monthly payments in early November 2022. But it took too long to explain why the payments were higher than in the product offer. Taking all of this into account, I think the £250 offered by Barclays is fair and reasonable compensation for the upset caused.

My final decision

My decision is that Barclays Bank UK PLC should pay £250 to Ms K, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 21 September 2023.

Ruth Stevenson
Ombudsman