

The complaint and background

Mr and Mrs B complain that Barclays Bank UK PLC made a catalogue of mistakes in its handling of their mortgage sub-accounts between 2014 and 2021. They say those mistakes led to them having to pay substantially higher rates of interest than they should have, and caused protracted and repeated inconvenience to them.

I've included relevant sections of my provisional decision from June 2023, which form part of this final decision. In my provisional decision I set out the reasons why I was planning to uphold this complaint. In brief that was because I thought that Mr and Mrs B had paid a higher rate of interest on their mortgage for two years as a result of mistakes by Barclays. Concerning a second potential rate switch, I provisionally thought that switch couldn't be progressed as a result of mistakes by Barclays, but suggested M and Mrs B may not, in fact, have suffered any financial detriment as a result.

I asked both Mr and Mrs B and Barclays to let me have any further comments or evidence they wanted me to consider. Both had plenty more to submit – sometimes at their own volition, sometimes at my asking. In October 2023 we had a telephone hearing to expedite matters and flush out all remaining pertinent evidence, and then in early November I set out what my findings were likely to be in this decision in an email to both parties. Mr and Mrs B did not accept all of those findings, but their comments have not changed my mind, so I am now able to progress this complaint to a final decision. I will set out and discuss all the key issues in the following sections.

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.

Having done so, I'm upholding it, and I'll reiterate why, but first I've included here the relevant sections of my provisional decision:

“What happened

I will only provide a brief summary of key events which are relevant to the remaining unresolved issues in this section, as the complaint covers several years and happenings. There has also been a jurisdiction decision from another ombudsman which found that our service did not have the power to consider some aspects of Mr and Mrs B's complaint.

In Spring 2014 Mr and Mrs B attempted to move a number of their mortgage's sub-accounts to a different product, with a lower interest rate. They opted for a 2-year fixed rate of 1.95%. They had a face-to-face meeting with a Barclays mortgage advisor and believed that the switch was in train. Despite chasing, they heard nothing back from Barclays and so stayed on their existing product.

They first complained about this to Barclays in 2018, when they were trying to make further changes to the mortgage, but that complaint remains unresolved.

In November 2020 Mr and Mrs B then tried to switch some sub-accounts onto a different

product online. They were unable to because their account had been marked as being in arrears. This was despite them having overpaid the mortgage by £1,000 per month for two years. Following multiple calls with Barclays, a mortgage advisor confirmed that the overpayments hadn't been capitalised correctly and the arrears marker was an error on its part.

Ultimately, Mr and Mrs B redeemed the sub-accounts in 2021, feeling they could no longer trust and work with Barclays.

As mentioned above, Mr and Mrs B have raised several complaints with Barclays about these matters, which Barclays accepted that it had made an error in placing an arrears marker on the account. It offered £300 in compensation.

Unhappy with this response, Mr and Mrs B came to our service. There has been a long investigation and process of evidence gathering, and ultimately the investigator thought Barclays needed to offer Mr and Mrs B more compensation, a total of £575. Barclays accepted that, but Mr and Mrs B didn't, as they believe that Barclays' errors have cost them significantly more than that, and asked an Ombudsman to look at their complaint.

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.

Having done so, I'm currently planning to uphold it, and I'll explain why.

When considering the key points of Mr and Mrs B's complaint, and what remains to be resolved (and which is within my jurisdiction) I think it is easiest to think about three distinct issues, which I will deal with in turn.

Did an error on Barclays' part lead to Mr and Mrs B having to stay on a higher interest rate mortgage product in 2014?

It's evident that Mr and Mrs B had a face-to-face meeting with a mortgage advisor in April 2014. From emails that they have forwarded to me, it is also evident they believed that they had essentially completed an application for a rate switch in that meeting. I can see they chased that with the advisor at least twice, asking whether anything else was needed from them to conclude the switch (and seemingly copied in another mortgage advisor on at least one occasion). It appears that unfortunately the advisor they'd met with was absent on sick leave, and that essentially no one followed up on Mr and Mrs B's unanswered chasers. In short, on the balance of probabilities, I conclude it is most likely that an application was completed in this meeting, but not processed by the advisor who became unwell.

I asked Barclays about this issue, and asked it to comment on whether it believes that Mr and Mrs B's application would have been successful had it been processed. It simply responded to say that, "Unfortunately no applications have been found to switch rates in April 2014." It also comments that the account records suggest that the mortgage was in "mortgage interview stage" in 2014 and had not been "assigned" or "submitted for a review". I can accept all of this as being accurate, however, the point remains that it would appear to be as a result of an error by Barclays that no application was logged, assigned or reviewed. So, without evidence to the contrary, I think it is reasonable of me to assume that, had Barclays responded to the chasers and done what it should have done, Mr and Mrs B would have proceeded with the rate switch and I've seen nothing to suggest that wouldn't have been accepted. So, put simply, it was Barclays' fault that that didn't happen.

In saying that, I have thought about the fact that it would appear that, after chasing this application a few times, Mr and Mrs B didn't raise a complaint about it for several years. I'm satisfied they didn't think the switch had happened, but rather that they just gave up chasing. So I've asked myself whether it would be fair to say that Mr and Mrs B didn't do enough to mitigate their losses, and should therefore bear those losses themselves. However, I'm not

persuaded that would be fair. Mr and Mrs B had done what they reasonably believed was necessary to move these sub-accounts onto a cheaper interest rate. And Barclays failed to deal with that as it should. So I find it is fair to require Barclays to put that right.

However, as they have confirmed that they wished to apply for a two-year fixed rate product, I can only reasonably ask Barclays to pay redress for that specific fixed rate term. What rate the accounts would have been subject to when that fixed rate deal expired is highly speculative and I do not consider it fair to hold Barclays to account for that. I also note that it doesn't seem that Mr and Mrs B pursued any further applications to switch in 2016, when the product they wanted to switch to in 2014 would have expired. So I conclude that whatever the rate was in 2016, they were prepared to accept it.

Have Mr and Mrs B lost out as a result of Barclays' failure to correctly capitalise the mortgage overpayments from 2018 to 2020?

Barclays has provided some screenshots showing a manual adjustment made to ensure that the overpayments were credited correctly once the error came to light. It has also confirmed that those payments were correctly capitalised. Whilst I am not in a position to audit Barclays' calculations on the mortgage accounts, the evidence I have suggests the error has been corrected, which was reflected when the accounts were paid off, and Mr and Mrs B have not lost out any further.

Should Mr and Mrs B have evidence to the contrary, they are of course welcome to provide it in response to this provisional decision.

Did Barclays' acknowledged mistake in marking the account as in arrears mean that Mr and Mrs B were forced to pay a higher interest rate for the final few months of the mortgage before they paid it off?

Barclays accepts that it incorrectly placed an arrears marker on Mr and Mrs B's account, and that is why they were unable to complete an online product switch to a lower interest rate mortgage product in November 2020: the EMC reward tracker with an offset rate of 2.1%.

Again, I asked Barclays for its comments on this issue, and whether it believes Mr and Mrs B's application to switch would have been accepted had they been able to process it. It simply replied that the switch couldn't be processed online due to the arrears marker.

That is already an established fact, as is the fact that the marker was placed in error by Barclays. Again, I have no evidence to suggest that an application to switch wouldn't have been successful. So I conclude that it was Barclays' mistake which led to Mr and Mrs B having to pay a higher interest rate on their mortgage for its final few months with Barclays, and that Barclays should put that right too.

However, Mr and Mrs B have also said that they, "...always planned to pay off the...mortgages before March 2021...". And, although Barclays has not confirmed this, I understand that there would have been an Early Repayment Charge (ERC) payable by Mr and Mrs B had they managed to make the switch as they wanted and then redeemed in March 2021. So whether this mistake by Barclays has actually led to any financial loss on their part, or whether in fact they ultimately saved money through not having to pay the ERC, remains to be seen. Barclays should provide details of the ERC and calculate what it would have been at the point of redemption, to establish whether Mr and Mrs B in fact lost out as a result or not and whether what follows is that any redress is due."

The first two issues discussed in my provisional decision – the failed product switch in 2014, and the question of the capitalisation of mortgage overpayments between 2018 and 2020 – are effectively resolved now. Both parties have accepted my findings on the 2014 switch and the provisional redress directions covered in section a) and b) of 'Putting things right'. Mr and Mrs B have provided no further evidence concerning the capitalisation question, so I am able to finally find that any

losses incurred as a result of Barclays' failures in that aspect have been redressed and there is nothing further to deal with.

However, the matter concerning Mr and Mrs C's inability to complete a product switch online to an offset reward tracker at the end of 2020, has been the subject of extensive further evidence from both parties.

I provisionally found that the switch could not be progressed due to a mistake by Barclays in placing an arrears marker on Mr and Mrs B's account when, in fact, they had been overpaying and had no arrears at all.

Subsequent to my provisional decision, Barclays provided further evidence, saying that, in fact, Mr and Mrs B's account *could not* have been the subject of a product rate switch to the offset reward tracker, regardless of the arrears marker. That was because a straightforward *switch* to an offset mortgage wasn't available to them at the time, because their account was made up of three sub-accounts. And an offset mortgage has to be formed of only one account, because of the mechanism by which it works. So in this instance, a full re-mortgage application would have been needed.

This topic was discussed at length during the October 2023 telephone hearing and Barclays' representative explained the position. Mr and Mrs B pointed out that they had received letters from Barclays in August 2020 inviting them to complete an easy switch online when their existing rate expired. So they did not accept that switching (rather than undertaking a re-mortgage application) wouldn't have been possible, regardless of the arrears marker. They did accept that they would not have undertaken a full re-mortgage application, but would have wanted to complete a product switch if possible.

Following further information on this point from Barclays subsequent to the hearing, I set out to both parties that I was satisfied that, in fact, Barclays would not have allowed Mr and Mrs B's account, made up of three sub-accounts, to be switched to an offset mortgage product. So the arrears marker actually hadn't caused any detriment to Mr and Mrs B, to whom the switch option was actually never available in any event. In saying that, I noted that the information in the August 2020 letters, which invited Mr and Mrs B to complete a product switch online, made no mention of offset mortgages. Instead, those letters were general, high level, information.

I explained that, on the balance of probabilities, I was satisfied that Mr and Mrs B would have had to go down the route of a full re-mortgage application, as opposed to a product switch, if they had wanted to change their mortgage into an offset account. And as they had explained in the hearing, they would not have done that.

Mr and Mrs B continue to dispute this. They continue to believe that the incorrect arrears marker was the reason they couldn't complete a product switch. They've reverted to the August 2020 letters, which set out how they could complete a switch online. I've already explained why I accept that switching to an offset mortgage was an exception to what was discussed in the quasi-marketing letters to which they refer.

They say that, *"...the only sensible inference to be drawn is that there was something internally with Barclays preventing the switch."* On one level, they're correct. I am persuaded that it was mostly likely the structure of their sub-accounts and Barclays' processes for changing those into one offset mortgage account that prevented the switch. So those issues could be described as internal ones with Barclays. But the evidence does not now support the conclusion that it was solely? the incorrect arrears marker, and therefore a mistake by Barclays, which ultimately made that impossible. And so, there is no detriment for which I must direct any redress on this issue.

Two other issues have arisen following my provisional decision. Firstly, Barclays checked and have confirmed that no adverse information has been recorded by it on Mr or Mrs B's credit files as a result of the incorrect arrears marker applied. Mr and Mrs B are grateful for that confirmation.

And finally, Barclays has provided the details of where an incorrectly charged mortgage completion fee of £200 had been refunded to. Mr and Mrs B have made no further comments in response to those details, so I assume they accept they did receive that money back.

Having reconsidered all the evidence provided by both parties, for the reasons explained, it follows that I uphold this complaint in part, but no longer direct any redress in relation to the failed product switch at the end of 2020

Putting things right

In order to put Mr and Mrs B back in the position they would have been in but for its mistakes, I direct Barclays to do the following:

- A. Re-work the mortgage sub-accounts 90-988-68647, 90-988-68663, 90-988612 and 90-988-68590 by applying the two-year fixed rate deal that they intended to take in May/June 2014 at a rate of 1.95%.
- B. To account for the overpayments made between June 2014 and the expiry of that fixed rate deal, due to higher interest rates being applied, Barclays should:
 - Pay Mr and Mrs B the overpayment amount back in cash, as well as a payment of 8% simple interest*, calculated from the date of each overpayment to the date of settlement.
 - Deduct any applicable product fees.

*HM Revenue & Customs requires Barclays to deduct tax from this interest. It should give Mr and Mrs B a certificate showing how much tax it's deducted, if they ask for one.

For clarity, this award is in addition to the £300 Barclays has already offered to Mr and Mrs B in recognition of the distress and inconvenience caused to them by the incorrect arrears marker. Neither party has indicated that that amount has already been paid.

My final decision

For the reasons I've explained here and in my provisional decision, 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 B and Mrs B to accept or reject my decision before 14 December 2023.

Siobhan McBride

Ombudsman