DRN-4342288

Financial Ombudsman Service

The complaint

Mrs J and Mr R are unhappy with the way they have been treated by Barclays Bank UK PLC. They said incorrect missed payments have been reported on their credit file which has caused them a significant amount of stress and worry.

What happened

Mr R is a landlord with a large portfolio of properties and overpays on these mortgages. Mrs J and Mr R said that Barclays incorrectly reported negative information on their credit file which has had a significant impact on them. They said they wanted to remortgage three of their properties, but these got declined as did two applications for credit cards.

Mrs J and Mr R also said that the telephone number on the letters they received were incorrect as it wasn't for the buy to let team. They also said Barclays never called them back when Mrs J and Mr R requested them to do so.

Barclays issued a final response letter in February 2022 and upheld the complaint for the error they made to Mrs J and Mr R's credit file and for the poor service they received. Barclays said there was a change in their process for applying overpayments to mortgages and that overpayments were now being capitalised. Barclays said they capitalised the payments that Mrs J and Mr R made in error for 18 out of the 20 buy to let mortgages they held. Barclays said they have removed all adverse reporting for the 18 accounts for October 2021.

Barclays said that when an overpayment is over three times the contractual monthly payment, in line with their terms and conditions, this is taken as a part redemption which is why the payments are not registering which then result in arrears letters being generated. They said that in order to try and resolve that issue, Mrs J and Mr R would need to pay by direct debit with a confirmed overpayment or set up two standing orders.

Barclays confirmed that the telephone number for the buy to let team on their letters is correct, but they have a residential team that take overflow calls when they are busy. They also recognised that they failed to call Mrs J and Mr R within the timeframes set.

Barclays offered Mrs J and Mr R £200 compensation for the stress and inconvenience caused.

Mrs J and Mr R disagreed with what Barclays said. They explained that they have never had issues with their credit file and have always paid on time. They said that they were unable to remortgage three of their mortgages and lost out on a five-year fixed rate mortgage deal because the applications were declined. They also said they applied for two credit cards which were also subsequently declined, and one of those had free fees abroad. So he's also paid a fee when he went away. Mrs J and Mr R said this has caused them a great deal of stress and would like Barclays to recognise that.

So Mrs J and Mr R brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator upheld the complaint. He said that since the issue with the credit file in October 2021, Mrs J and Mr R have said that further information has been reported by Barclays. Our investigator said that Barclays should help Mr R set up his payments in a way that will avoid missed payments being reported and remove all incorrect adverse data from his credit file. He explained that if Barclays are unable to do so, they should stop reporting these accounts altogether as if the correct information can't be recorded, then none should be recorded at all until the issue can be fixed.

Our investigator also thought that Mrs J and Mr R would more than likely have been approved for the remortgage applications they made in December 2021 on the rate of 1.49%. So he said that Barclays should calculate the difference in the rates that Mrs J and Mr R were paying, against what they would have paid – and refund these to them.

Our investigator also concluded that Barclays should increase the compensation offered to £1,300 for the distress and inconvenience caused. He acknowledged that £300 of this was for the trouble and upset caused by Mr R's credit card applications being declined and to cover any foreign currency fees he had to pay while he was away.

Mrs J and Mr R accepted the outcome of the investigator. Barclays said they would require further information before accepting or rejecting the opinion of the investigator. They asked for the following:

- Full copy of Mr R's credit file
- Evidence of the three mortgages that Mr R applied for on a rate of 1.49%, including the mortgage offers. They also noted that Mr R was already on a two-year fixed rate mortgage since April 2021 so questioned whether any early repayment charges were going to be charged for exiting those deals early.
- Evidence of the two credit card applications that Mr R applied for and evidence of foreign currency charges and fees

Our investigator sent Barclays the information they required and explained that if we didn't hear back from Barclays by the deadline given, the case would be reviewed by an ombudsman. Barclays asked for some additional time to review the information – and said they would respond by 8 June 2023.

As Barclays hadn't sent a response at that time, the case was passed to me to decide.

My provisional decision

I issued a provisional decision on 31 July 2023. I said:

> I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.
>
> I've taken into consideration everything that Mrs J and Mr R have said, and I know they feel very strongly about their complaint. They have provided detailed comments in support of their views which I can confirm I've read and understood in their entirety. However, I trust that Mrs J and Mr R will not take the fact that my findings focus on what I consider to be the central issues, and that they are expressed in considerably less detail, as a discourtesy. The purpose of my decision isn't to address every point raised. The purpose of my decision is to set out my conclusions and reasons for reaching them.
>
> There isn't any doubt here that Barclays incorrectly reported against Mrs J and Mr R's credit file in October 2021 due to a change in how they process overpayments on mortgages – this is not in dispute.
>
> Barclays have said they will remove all adverse reporting for the mortgage accounts that were affected by this error – which is what we would have expected them to do in this instance. However, Mrs J and Mr R have said that there have been other instances where their credit file has been affected due to the same reasons. Barclays will need to rectify this and remove any further adverse credit from Mrs J and Mr R's credit file until this issue can be resolved. They should help Mr R set up the direct debit or standing order on his account to ensure that any overpayments go through

correctly. He has said he has tried to do so but it's still not working. Like our investigator said, if Barclays cannot rectify Mrs J and Mr R's credit file due to the issues with how the payments are credited – they should not report anything on the credit files until this issue is resolved.

However, the crux of this complaint is now the affect that this has had on Mrs J and Mr R. They have told us that they wanted to remortgage three of their mortgages onto a cheaper fixed rate mortgage – 1.49% over a five-year period. And that Mr R had two credit card applications declined, which he wanted to use abroad. This resulted in him being charged fees on the other cards he used.

I contacted Barclays to explain that having reviewed everything, I agreed with the outcome of the investigator and told Barclays it was in Mr R's best interests to try and get this resolved as quickly as possible. All evidence that Barclays asked for has been sent to them, but they are yet to respond. So I'll explain below what I have considered and what Barclays need to do to put things right for Mrs J and Mr R.

We have sent Barclays Mr R's credit file which shows the impact that the adverse credit has had on him. This impacted Mr R being able to remortgage three of his buy to let properties to a lower interest rate.

Mrs J and Mr R already had a mortgage with a lender for three of those properties and I have seen all three mortgage offers. These offers show that Mrs J and Mr R would have paid an ERC if they wanted to come out of their deal early. The offer shows that Mrs J and Mr R would have paid 2% of the amount repaid on or before 30/04/2022 or 1% if paid on or before 30/04/2023.

Mrs J and Mr R approached their broker in December 2021 who looked at the option of Mrs J and Mr R remortgaging to another lender and paying the ERC

I have also seen an email from the broker which confirms that they completed a decision in principle on one of the applications (as they said the decision in principle had to be done one at a time), to move lender and get a rate of 1.49% on a five-year fixed rate. I have seen a screen shot which shows that the application was declined – which is more likely than not the impact of the errors made by Barclays on Mrs J and Mr R's credit file.

The broker explained that they didn't proceed with the other two applications because the first one was declined, and they didn't want to impact Mrs J and Mr R's credit score any further – which is totally understandable. Mrs J and Mr R's broker sent an email confirming that they wanted to remortgage to a fixed rate of 1.49% for five years. But we haven't seen anything that confirms the rate of 1.49% as the applications did not proceed to mortgage offer because the credit score was declined.

We contacted the new lender that Mrs J and Mr R wanted to remortgage to in order to get clarification on the rate of 1.49%. Mrs J and Mr R have a number of properties so the rates available to them will differ. The lender sent us information and confirmed that the rate of 1.49% would not have been available for Mrs J and Mr R due to the large number of properties held within their portfolio – and the rate of 1.49% would only have been available if the number of properties held by Mrs J and Mr R were ten or fewer.

The lender sent me evidence of the remortgage rates that would have been available at that time for the number of properties that Mrs J and Mr R held, and I can see that the rate that would have been available was 3.34% which had a product fee of £995. I know that Mrs J and Mr R will not agree with this as their broker told them the rate of 1.49% was available, but I've looked at the rates that were available in December

2021 and can confirm that it doesn't look like this rate would have been available to them because of the number of properties in their portfolio.

This rate is higher than the rate that Mrs J and Mr R were on with their existing lender (2.62%), but they only had just over a year left until this fixed rate expired in April 2023. Interest rates had already started to increase in 2022 so I think on balance, if Mrs J and Mr R were able to secure another interest rate for five years before rates started to increase further, I think it's more likely than not that they would have paid the ERC to leave their existing deal earlier, in order to secure a better interest rate before they continued to increase. And bearing in mind the term they wanted to fix it for was for five years, it's plausible that they would have wanted additional security for longer as their rate was ending in April 2023. So I think they would have paid the ERC and potentially taken a loss in that first year on the interest rate in order to gain in the remaining years.

Had Barclays of not made the errors on Mrs J and Mr R's credit file, it's more likely than not that these applications would have been approved. Mrs J and Mr R never had an issue with their credit files from what I can see, and they were never behind on any of their payments – if anything, they always made overpayments on their mortgages. And had the applications of been approved, Mrs J and Mr R would have switched lender once they fell into the 1% band of the ERC that would have been payable on or before 30 April 2023. So there is no reason why Mrs J and Mr R wouldn't have proceeded with their applications and arranged for those mortgages to complete from 1 May 2022 so that they got charged the 1% ERC. The mortgage offer was also valid for six months so that wouldn't have been an issue either.

I've also seen evidence that Mr R got refused two credit card applications and a charge that he incurred when he was abroad for £8 which is as of a result of being refused the credit card that offered free fees abroad.

For completeness, I can see that Barclays have explained that the telephone numbers that were on their letters were correct however due to the volume of calls, their phone lines were diverted to another department which couldn't help Mr R. This isn't unusual so I can't say that Barclays did anything wrong. But they should have called Mr R back when he asked them to – which Barclays have acknowledged.

This has had a significant impact on Mrs J and Mr R. As I've already explained, Mr R is very vulnerable, and this has caused him a significant amount of worry and upset and has exacerbated his medical conditions and I think that Barclays need to recognise just how much this has affected him.

Putting things right

I do agree that Barclays will need to calculate the difference in the mortgage interest rate that Mrs J and Mr R could have secured – 3.34% against the rate that they were paying and will be paying over the next few years.

Our investigator recommended that Barclays calculate the payments on the rate of 1.49% against Mrs J and Mr R's existing fixed rate mortgage (which expired 30 April 2023) for the next five years – as this is how long the fixed rate would have been for. But as I've said, the rate of 1.49% wasn't one that was available – so I think the comparison needs to be against the rate of 3.34%.

So I think based on what I said above, Mrs J and Mr R would have completed on their remortgage from 1 May 2022 so Barclays will need to calculate the difference in what Mrs J and Mr R were paying – 2.62% - against the rate of 3.34% from May 2022 until 30 April 2023. This will end up being a loss that needs to be deducted from the total amount that Barclays refund Mrs J and Mr R due to the fact that they would have ended up paying more on their rate until April 2023.

Mrs J and Mr R's rate has since reverted to the standard variable rate which was 7.99% in May 2023 and has increased to 8.49% in June 2023. Mrs J and Mr R have confirmed they are still on the SVR and haven't looked at remortgaging until this has been sorted out as they said they are still having issues with their credit file. Mrs J and Mr R have since provided us evidence that shows the SVR is increasing to 9.34% from 1 August 2023.

I am intending on directing Barclays to amend Mrs J and Mr R's credit file within one month from when I send my provisional decision on the matter so that Mrs J and Mr R can remortgage to another lender. I am then looking to direct Barclays to pay the difference in the rate of 3.34% against the SVR of 9.34% for a further four months (as long as the credit score issues have been rectified) – to give Mrs J and Mr R a chance to secure a new rate elsewhere.

If I assume that Mrs J and Mr R are going to approach the same lender as they did before, then I've looked at the rates that are available in order to work out what Barclays need to calculate for the remainder of the five-year fixed period that Mrs J and Mrs R would have been on until May 2027. There is a five-year fixed rate of 6.89% which doesn't have any fees attached to it. Or there is a rate available of 6.59% fixed for five years with a product fee charged at 3%. Mrs J and Mr R will need to respond to this provisional decision letting me know which rate they would potentially choose. Then Barclays will need to calculate the difference in the rate of 3.34% against one of these interest rates. Depending on what Mr R chooses, I'll have to consider the product fee (in the calculations) that may be charged based on the rate that Mr R could have obtained before, against what he may choose now.

So to be clear, Barclays will need to calculate the difference in the rate of 3.34% against 7.99% SVR in May 2023 and then against 8.49% SVR from June 2023. Barclays will need to confirm to Mrs J and Mr R that the issues with their credit score have been resolved within one month of this decision being sent and then calculate the difference in the rate of 3.34% against the SVR rate of 8.49% for July 2023 and then against 9.34% from August until November 2023 – which takes into account the time we are giving Mrs J and Mr R to remortgage.

Then Barclays will need to calculate the difference either the rate of 6.89% or 6.59% until May 2027 against the rate they would have secured at 3.34%. May 2027 is when the original fixed rate would have expired – had Mrs J and Mr R taken out the mortgage in December 2021. This will need to be calculated for all three mortgages that Mrs J and Mr R were going to remortgage.

If Barclays are unable to resolve the issues with the credit score within the month deadline for this provisional decision, then I am minded to direct them to pay the difference in the rate of 3.34% against the SVR rate of 9.34% until May 2027.

However, Mrs J and Mr R would have paid an ERC on their existing mortgage in order to come out of it. So Barclays will need to deduct the 1% ERC that Mrs J and Mr R would have been charged from the calculations above – for all three mortgages. They should also deduct the 'loss' Mrs J and Mr R would have incurred in the period from 1 May 2022 until 30 April 2023, again for all three mortgages. We have provided the mortgage offers as evidence.

I won't be recommending that 8% simple interest is added to this calculation. Because the remaining loss is to take place in the future, so I don't think it's fair to add the 8% to this amount.

They should also pay Mrs J and Mr R £1,000 for the distress and inconvenience that has been caused to them – for the reasons already given above. And an additional £300 for the declined credit card applications which included the additional fee that

Mr R got charged when he was abroad – and the impact this had on them. So Barclays should pay £1,300 to Mrs J and Mr R in total.

Developments

Mr R responded to the provisional decision and had some concerns regarding the interest rates that were contained within it. He said that the SVR rates I had quoted were incorrect and he has provided evidence to confirm this. He said the SVR in May 2023 was 8.59% and not 7.99% and the SVR rate in June was 8.84% and not 8.45%. Mr R also said the rate in August 2023 was 9.59% and not 9.34%.

Mr R also seemed to misunderstand what I had directed Barclays to do. He was under the impression that he would be on a rate of 3.34% for one year and then he would move onto a rate of 6.89% for the remainder of the term which he thought was unfair.

Mr R said that he is still on the SVR and he has been unable to switch rates because Barclays are still incorrectly reporting adverse data on his credit file – and he has provided further evidence to support this. He said that we should consider him taking out a fixed rate with Barclays and get them to calculate the rate against that interest rate, rather than 6.89%. And he has also said that as he is still on the SVR and Barclays are still affecting his credit score negatively, that they should compare the rates against the SVR as that is what he is currently on.

Mr R also said that he had a previous complaint where a final decision was issued, and we directed Barclays to provide him with a direct contact - which he said has now disappeared. He doesn't feel we are punishing Barclays enough for the errors that they have made.

Barclays responded to the provisional decision and accepted what I had said. They did however say that they wanted Mr R to provide the three mortgage statements they have been asking for to calculate the settlement.

Barclays confirmed that Mr R's credit file has been amended with the exception of two of the mortgage accounts which were omitted, but they have since submitted these to be amended. They said they will provide us with confirmation once the cleanse has been completed.

Barclays said Mr R will need to select a new deal no later than November 2023 to enable them to calculate the difference from November 2023 until May 2027. They said that if Mr R chooses to stay on the SVR then they will not provide a refund.

They also said that Mr R will need to modify his standing order to the 1st or 2nd of the month to prevent this from happening in the future.

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.

Mr R has provided a lot of information since the provisional decision has been issued. I have taken into account everything he has said as before but I may not comment on everything. I want to assure him that I have thought about the points he has made very carefully.

Our investigator has spoken to Mr R to explain the rationale around the rate of 6.89% (which is the rate that he would have chosen as he didn't want to pay any further product fees) and that we are effectively asking Barclays to calculate the interest rate on 3.34% for five years against a rate of 6.89%.

As our investigator has explained, we are not assuming that Mr R will be on a rate of 6.89%. What I am asking Barclays to calculate is based on Mr R being on a rate of 3.34% for five years from May 2022 until May 2027. But Barclays need to calculate this rate against another rate which is where the SVR and the 6.89% come into it. They will provide this as a refund to Mr R after taking into account the ERC that Mr R would have paid after exiting his previous fixed rate earlier. The rate of 3.34% has a product fee of £995 which will need to also be deducted from the calculations. The rate of 6.89% that Barclays are to calculate against doesn't have a product fee so no other deductions should take place.

I note that Mr R has since provided letters which confirm the SVR rates and I can confirm that the calculations that I ask Barclays to make, will be on the correct SVR interest rates. So these will be 8.59% for May 2023, 8.84% for June 2023 and 9.59% for August 2023.

I appreciate that Mr R is still on the SVR as he hasn't been able to switch to another rate because of the credit score issues, but Barclays have confirmed that this will be rectified. They have unfortunately omitted two of the mortgage accounts which is where the error is still happening, but they have since sent these files to be cleansed and Barclays should send confirmation that these have been rectified to allow Mr R to obtain a new rate. It's not clear why Barclays omitted these two mortgage accounts as we have explained numerous times that Mr R is still being impacted by these errors, so they must ensure that these are rectified to enable Mr R to secure a new rate.

It wouldn't be fair of me to ask Barclays to calculate the 3.34% against the SVR for the next five years as it's highly unlikely that Mr R would remain on the SVR. And he has also said that he wants to secure a new fixed rate which backs this up. Mr R is being put back in the position he would have been in, had Barclays of not made the errors they made to begin with. Barclays have also confirmed that they have sent the credit files for cleansing so these should all be rectified too.

If Mr R wants to take out a new rate with Barclays, then he is free to do so. Barclays will give him a refund assuming he had taken out a rate of 3.34% from May 2022 – which is what he would have done had the issues not occurred. Mr R has been unable to come off the SVR because of the credit score issues but once Barclays have rectified this – he will be able to. So it's up to him what he does after this point. He will be able to secure another fixed rate with either Barclays or contact a broker to see what deals are available to him. He would have already been compensated for the losses that have occurred and estimated future losses that will occur up until May 2027.

Barclays have said that Mr R needs to amend the dates of his standing order to stop this issue happening again, and it's advisable that Mr R does so that the same problems don't occur again. It's also relevant to note here that Mr R has mentioned a previous final decision where it was directed that Barclays provide him with a direct contact. It's not for me to comment on that final decision but Barclays should ensure that if this is what was directed, that they adhere to this in order to help Mr R.

I appreciate that Mr R feels we are not punishing Barclays and he feels we are making things easier for them, but when making an award for compensation and what needs to be made to put things right, I must decide what's fair and reasonable to both sides involved giving careful consideration to all the circumstances of this case. I think it's also important to explain that, as a service, our awards are designed to compensate consumers – not punish organisations.

Barclays have asked for the three mortgage statements for the three accounts that need the calculations carried out on. Our investigator can obtain these from Mr R and send them through to Barclays however, these should not be needed in order to calculate what was proposed in my provisional decision. But if Barclays need these to confirm the three mortgage accounts, then we will ensure that these are sent to them.

Mr R doesn't want Barclays to benefit from the issues they have caused. He said he's since overpaid more on his mortgage so his mortgage balance is lower than it would have been previously. The calculations that Barclays will make will be on the balances that Mr R had on his mortgage at the time in order to put him back in the position he would have been in.

Barclays have said that they expect Mr R to obtain a new rate by November 2023 so that they can calculate the redress. And they've said that if Mr R doesn't take out a new rate by November 2023 – they won't provide one. It's not up to Barclays to decide this. I have already explained what needs to happen in my provisional decision and why I have asked Barclays to calculate the differences in the interest rates. If Mr R chooses not to take out another rate (which I have already said that I think this is unlikely), then that is ultimately up to him. He would have been able to obtain a lower interest rate of 3.34% in May 2022 and this is what I have directed Barclays to put right for him. Whether he chooses another rate or not is irrelevant. This is the only way we can put things right for Mr R without knowing specifically which lender he will go to and what interest rate he will end up taking out – while also taking into account rates have since increased.

I think it's also fair to remind Barclays again that Mr R is incredibly vulnerable, and they have to ensure that his credit file is cleansed so that it doesn't affect him any further. And Mr R will need to make the amendments to his standing order to help the situation too. Once this has been done, Mr R will be able to move forward and decide what he wants to do in terms of securing a new interest rate.

My final decision

For the reasons given above and in my provisional decision, I uphold this complaint and direct Barclays Bank UK PLC to:

- Calculate the mortgage payment made in May 2023 on a rate of 8.59% against the 3.34% - then calculate 8.84% against the rate of 3.34% for June and July 2023 and then against the rate of 9.59% from August until November 2023.
- Calculate the difference in the rate of 3.34% against 6.89% for the remainder of the term from December 2023 until May 2027 which is when the five-year fixed rate would have expired. Barclays will need to deduct the 1% ERC that Mrs J and Mr R would have paid on all three mortgages from this calculation. They'll also need to take into account the difference in the rate for the first year (2.62% against 3.34% from 1 May 2022 until 30 April 2023 and deduct this as well. Barclays should also deduct the £995 product fee that Mr R would have paid for the 3.34% rate. Barclays will need to pay this difference to Mrs J and Mr R.
- Pay Mrs J and Mr R a total of £1,300 for the distress and inconvenience they have been caused which includes the declined credit card applications.
- Remove any further adverse credit from Mrs J and Mr R's credit file and confirm to our service and to Mr R that this has been done
- Barclays should help Mr R with the standing order amendment if he is unable to do this – to prevent this issue from happening again.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr R to accept or reject my decision before 9 October 2023.

Maria Drury
Ombudsman