

The complaint

This complaint is about a mortgage Mr and Mrs C hold with Barclays Bank UK PLC. They say Barclays set the mortgage up wrongly when it started in 2020, and then when they asked for it to be corrected in 2022, reversed the correction a few days later. The mortgage has again been set up the way Mr and Mrs C want it to be and they have made a lump sum payment to reflect the extra they'd have paid if it had been that way from the start. Barclays has compensated Mr and Mrs C for their time, trouble and upset, but they don't think it's enough. They also remain unconvinced that the account is being calculated as it should be.

What happened

The broad circumstances of this complaint are known to Mr and Mrs C and Barclays. I'm also aware that the investigator issued a detailed response to the complaint, a copy of which has been sent to all parties, and so I don't need to repeat all the details here. Our decisions are published, and it's important that I don't include any information that might result in Mr and Mrs C being identified.

Instead I'll give a brief summary in my own words, rounding the figures, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. Mr and Mrs C have an offset mortgage; that is, one where interest is charged on the difference between the mortgage balance and designated savings balances they have lodged with the bank. In Mr and Mrs C's case, the mortgage is fully offset by their savings, so they aren't charged any interest.

When there's a change in the interest rate, borrowers with fully offset mortgages can choose between two setup options; these are known as payment reducing and term reducing. In Mr and Mrs C's case, the mortgage was set up in 2020 on the payment reducing option. In May 2022, Mr and Mrs C complained that this was incorrect, and that it should have been term reducing from the outset. Barclays changed the mortgage to term reducing, but a few days later, the system reverted the account to payment reducing again.

Mr and Mrs C complained again in October 2022. In a final response dated 25 January 2023, Barclays said that in the absence of an instruction otherwise, the mortgage was set up from the start on payment reducing by default. It made no mention of the May 2022 events, but apologised for the delay in replying and offered £300 compensation.

Mr and Mrs C continued to press the matter, reiterating their belief that they'd expressed the desire for the mortgage to be term reducing from the start. Barclays once again set the mortgage to term reducing, and advised Mr and Mrs C of the amount they'd need to pay as a lump sum, to reflect what they'd have paid off the mortgage balance by now if the account had been on term reducing from inception. This was a little over £17,000 and Mr and Mrs C paid it.

To reflect the additional time trouble and upset, Barclays offered Mr and Mrs C a further £600 on top of the £300 offered in January 2023. Mr and Mrs C accepted the offer and it has been paid, but they reserved the right to refer the matter to us. They believe £1,500 to be a more appropriate level of compensation. Also, they're not yet convinced that the account is right going forward, based on Barclays' forecasting of when the mortgage will end.

Our investigator explained that she couldn't address Mr and Mrs C's most recent misgivings about whether the mortgage account forecasts are right or not, because this was a new issue that hadn't yet been raised with Barclays. As for the complaint itself she thought the corrective action taken in 2023 and the £900 compensation payment were enough, and didn't recommend any further redress.

Mr and Mrs C have asked for the complaint to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

One of those afore-mentioned rules says that we have no power to look at something that the business hasn't first been given the opportunity to investigate and put right. So I agree with the investigator that the concerns Mr and Mrs C have raised more recently about the forecast term end need to be raised with Barclays first before we can become involved.

What I would say in general terms, however, is that it's one thing for Mr and Mrs C to be unsure about whether their mortgage account is now operating correctly. But not being sure if things are correct isn't the same as having good reason, supported by hard evidence, to believe they are incorrect.

That doesn't mean Mr and Mrs C have to take Barclays' word that everything is now as it should be. If Mr and Mrs C have a real and substantive belief that things still aren't right, it is open to them to arrange for the mortgage account to be audited by a suitably qualified and independent party.

The evidence of the audit could then be used as the basis for a new complaint to Barclays, underpinned by the evidence of the finished audit. That would give the bank the opportunity to consider and respond to it.

Mr and Mrs C would have to meet the cost of the audit, albeit if errors were found that were to their detriment, they could reasonably expect Barclays to reimburse any reasonable cost of the audit as well as taking any corrective action the audit revealed to be necessary. And if that wasn't resolved to their satisfaction, they would still have the opportunity to refer that complaint to us. I now go to the current complaint.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

I'll start with what's not in dispute. First of all, after the account was switched to term reducing at Mr and Mrs C's express direction in May 2022, Barclays' systems inexplicably reversed the adjustment days later. Secondly, and even more explicable, its investigation into the first complaint in late 2022 somehow managed not to even mention what had happened in May 2022.

So I do understand and very much appreciate the strong sense of frustration Mr and Mrs C feel about the time and effort they've put into this, and I'll address that in due course when I deal with compensation. But when it comes to assessing what I consider to be the real core of the complaint, about how the mortgage was set up from the outset, I have to stand back from that and judge the evidence dispassionately.

I've considered all of this very carefully; it's for us to assess the reliability of evidence and decide how much weight should be attached to it. When doing that, we don't just consider individual documents in isolation. We consider everything together to form a broader opinion on the whole picture. When I do that, Mr and Mrs C's case is altogether less certain.

The starting point here is the point of sale documentation from 2020. The value of such documents is that they're contemporaneous; so they should reflect what was said and agreed at the relevant time. They're not fool-proof, of course; there's always the possibility of information being recorded incorrectly. But they're typically more reliable than people's individual recollections at a distance of time which, although given in good faith, can sometimes be degraded by the passage of time or more generally influenced by hindsight. So unless there's a compelling reason to believe the information is inaccurate, or incapable of being relied on for some other reason, we'll generally attach some weight to it. I'm satisfied I can do that here.

The mortgage application dated 3 August 2020, includes a narrative dealing with Mr and Mrs C's preferred option between the two alternative operating methods. The relevant extract is as follows:

"I have explained to you how the offset facility works and you understand that your savings need to be in a (sic) eligible Barclays account linked to the offset mortgage to work. You have chosen the payment reducing option."

On its own, that's persuasive rather than conclusive, but it isn't on its own; there's more to consider. Barclays sends out monthly statements to show how the offsetting is working on the mortgage. The earliest statement we have on file is from October 2020, and under the heading *Your Mortgage Payment*, it says:

"You have chosen to reduce your monthly payment by offsetting rather than reducing the current term of your mortgage. Your next monthly payment will be £2,777.36."

Each monthly statement issued whilst the mortgage was operating on payment reducing included the same narrative; only the figure varied from month to month.

If Mr and Mrs C had opted for term reducing at the outset (which is contrary to what the application says) then given how emphatic they are now, it's not clear to me why they didn't intervene as soon as they received the October 2020 statement, let alone all of those they received subsequently.

Meantime, during one of his conversations with Barclays on 19 May 2022, Mr C said that for the first six months, the mortgage wasn't fully offset, because some of their savings was elsewhere earning a better interest rate. In the same conversation, the call-handler makes the pertinent observation that Mr and Mrs C would have seen the direct debit amount being taken each month differing when he said they were expecting it to remain the same.

I accept Mr and Mrs C did have had a lot phone contact with Barclays about this. The bank has provided recordings of the calls, I've listened to them and there's no doubt in my mind this has been a hard slog for Mr C in particular as he has made the calls, to deal with. But the earliest call is dated 4 May 2022 when, as documented above, the first (and abortive) switch to term reducing was made. Meanwhile, I've examined the bank's written contact history to see if any earlier calls were made, for which recordings haven't been provided. There's no contemporaneous note of contact before May 2022.

Put all of the above together, and I'm not persuaded on the balance of probabilities that starting the mortgage on a payment reducing basis in 2020 was most likely a mistake on Barclays' part. For the mistakes it *did* make, between May 2002 and June 2023, Barclays should, as I've already said, compensate Mr and Mrs C for their time, trouble and upset. I said I'd come back that, and I do so next.

Assessing compensation isn't an exact science; everyone's reaction to events is unique to them. It's clear from their testimony that Mr and Mrs C have found this episode hugely exasperating and time-consuming, and I appreciate that.

But I have also to keep in mind that Barclays hasn't made *all* of the mistakes they attribute to it. Only some of what happened, and how long it took to happen, can be put down to acts or omissions on Barclays' part. Taking everything into account, I agree with the investigator that the £900 already paid is fair and reasonable in this case. If no offer had been made or accepted, I would not have awarded more.

My final decision

I don't uphold this complaint. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 25 March 2024.

Jeff Parrington

Ombudsman