

## The complaint

Mr D's complaint is about the Mortgage Current Account (MCA) that is a feature of the mortgage he has with Barclays Bank UK PLC. Mr D says that he was unaware that the original mortgage advance of £175,000 came with a reserve of £50,000. Mr D says there were no affordability checks nor any prior notification of what the final overdraft limit would be.

In October 2021 Mr D asked Barclays for a copy of the terms and conditions. Mr D says that, in order to repay the mortgage (which expired in 2017) he will need to take out an equity release lifetime mortgage and repay the mortgage to Barclays. But Mr D says that until he is able to ascertain whether the mortgage was mismanaged by Barclays by allowing the MCA to be extended, he is unable to repay the mortgage.

To settle the complaint, Mr D says that *"the ideal scenario is that I stay in the house and all legitimate money owed is paid"*.

## What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. I'm also aware that the events complained about have been somewhat overtaken by events, because in December 2023 a court granted Barclays an outright possession order, not to be enforced until June 2024.

In addition, our decisions are published, so it's important I don't include any information that might lead to Mr D being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

The crux of Mr D's complaint is that he says he was unaware that the mortgage he took out in April 2003 came with a MCA reserve.

I will begin by explaining what the MCA is and how it works.

The MCA is an overdraft facility, attached to the mortgage. The limit is set at the time of the application. However, as capital is repaid off the mortgage, with each £2,000 repaid, the overdraft limit on the MCA increases by the same amount, due to what Barclays calls 'rebalancing'.

This can be spent by the borrower, through the mortgage current account. But it's not intended to be an additional regular income stream for the borrower; nor should it be used to make the mortgage repayments.

Borrowers are free to repay the overdraft, in part or in full, if they wish to do so, at any time. Customers can pay money into the MCA if they want to, and operate it in credit. If there is a credit balance, interest accruing on that balance can, if the customer requests it, be offset

against the mortgage interest. But the MCA in this case isn't in credit and so it operates as an overdraft facility with debit interest accruing on the outstanding balance.

The overdraft also becomes immediately repayable in full when the related mortgage account is repaid – either when the mortgage reaches the end of its term or if the mortgage is repaid sooner (for example, on sale or remortgage of the property).

The MCA operates on an interest-only basis. Interest is currently charged on the overdraft balance at Bank of England Base Rate + 4.49%, except where the mortgage is a specific offset mortgage, where interest is charged at the offset mortgage rate.

Mr D took out his mortgage on 17 April 2003. Mr D has told us he hasn't kept a copy of the mortgage offer. The original mortgage offer is no longer available on Barclays' system; that's not unusual, given the length of time since the mortgage was taken out, the fact that it was taken out prior to mortgages becoming regulated products (which was on 31 October 2004) and that, since 2003, Barclays has updated its computer systems.

However, there is available data relating to the mortgage application which Barclays has been able to extract from its historic records. This shows that Mr D had an initial advance of £175,000 on a capital repayment basis over a term of 17 years. The application also shows a reserve amount of £50,000, for a total mortgage of £225,000, if the reserve was used. The mortgage was on an initial offset tracker rate for two years, following which it would revert to Barclays' Standard Variable Rate (SVR). I do not know if Mr D took out any other interest rate products, e.g. fixed or tracker rates, after that, or whether the mortgage remained on SVR, but nothing turns on this.

Over the course of the mortgage, as monthly payments gradually reduced the capital, the reserve limit increased, due to the rebalancing feature. Mr D was sent annual mortgage statements. I've seen the statements for the years 2015-2017 inclusive. These show the starting capital balances, payments made and the reduced balance at the end of the period (which runs from October to September). The statements also show the amount borrowed on the MCA, and gives the total cost of repayment, comprised of the capital balance plus the MCA reserve.

I have also been sent the MCA ledger for the same period, from which I note that Mr D was making regular withdrawals from the MCA. Mr D would also have received monthly statements for the MCA throughout the course of the mortgage.

In 2017 Barclays wrote to Mr D reminding him that the mortgage term would come to an end in April 2020. The letter confirmed that the MCA balance was (at that time) £223,150.

In 2020 the mortgage term expired. It has not yet been repaid. In 2021 Mr D asked for a copy of the terms and conditions. Barclays wasn't able to provide these initially and so a complaint was logged by Barclays in December 2022. In its final response letter, Barclays explained that the MCA was part of the mortgage and was taken out at the same time as the mortgage.

Dissatisfied with Barclays' response, Mr D brought his complaint to our service. An Investigator looked at what had happened. He was satisfied that the mortgage application was for an amount of £175,000 with a reserve amount of £50,000. He didn't therefore think that Barclays had done anything wrong.

The Investigator thought Barclays should pay £100 compensation for not sending Mr D the terms and conditions when he requested them.

Barclays agreed with the Investigator's findings, but Mr D did not. He has reiterated his insistence that he did not ask for any increase in his mortgage balance from the original advance of £175,000. Mr D said that the reason for his complaint was that he had asked why the MCA had been extended beyond the £175,000 mortgage. The fact that Barclays didn't provide him with the terms and conditions led him to believe that the bank could not justify the extension. Mr D believes this is something the bank "*cobbled together*" to justify trying to claim money from him that isn't actually owed.

### **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'm satisfied that the mortgage application data shows that the original advance was £175,000 and that there was a reserve of £50,000. The MCA statements and annual mortgage statements also show that the balance on the MCA had increased beyond £175,000 some years before the mortgage term expired. I can also see that by October 2014 – more than six years before Mr D first raised the complaint – the MCA statements show that he owed over £188,000 at that point.

Surprisingly, Mr D didn't contact Barclays or query the MCA balance at the point the MCA first exceeded what he believed was its £175,000 limit; instead he continued to use the MCA for the next few years, making regular withdrawals until it was almost at its full limit of £225,000. I would have expected, if Mr D actually thought he was only entitled to spend £175,000 on the MCA, that he might have contacted Barclays once his spending exceeded the reserve limit.

However, I'm satisfied from the data Barclays has provided about the application, that the reserve limit at the time the mortgage was taken out was £50,000, giving a total amount available to Mr D of £225,000. As rebalancing has occurred over the 20 years the mortgage has been running, and as Mr D has used the full amount of the reserve, I'm unable to find Barclays has done anything wrong.

Mr D has explained to us that if it is, in fact, correct that there was this additional £50,000 reserve when he took out the mortgage, then he will arrange to repay the full amount outstanding. I confirm that this is correct, and that the £50,000 was available at the time the mortgage was first taken out in April 2003.

As I said above, things have now moved on. Because the mortgage balance was unpaid for over three years, Barclays was granted a possession order in December 2023, which the bank can't enforce until after June 2024. So Mr D has another four months to make arrangements to pay off the mortgage before the bank is able to enforce the possession order.

Mr D has told us he intends to take out an equity release lifetime mortgage to repay his Barclays mortgage. If he has not already done so, Mr D will need to speak to a specialist financial adviser to arrange this. He can find details of these on the Equity Release Council's website at: <https://www.equityreleasecouncil.com/find-a-member/advisers/>.

It would be remiss of me if I did not explain to Mr D that, if he is unable to repay the mortgage by June 2024 – or at the very least, provide evidence to Barclays by that date of a mortgage offer that is about to complete – the bank will be entitled to enforce the possession

order. I know that is not what either Mr D or Barclays would want to happen, so I hope Mr D is able to put his plans in place quickly to repay Barclays before June 2024.

### **Putting things right**

I agree with the Investigator that Mr D was caused some inconvenience by Barclays not being able to send him the account terms and conditions, and that some compensation is due for this. I think the £100 the Investigator recommended is fair, reasonable and proportionate in all the circumstances.

This is because, as I said above, I'm satisfied Mr D knew, or ought to have known, for several years that the MCA reserve limit had greatly exceeded what he (mistakenly) thought was the actual amount of £175,000, from both the mortgage and MCA statements. So although there was some delay in sending Mr D the terms and conditions after the mortgage term expired in 2020, he could have asked for them at any point after the MCA reserve limit had gone over £175,000, which was several years before he asked for them in 2021.

### **My final decision**

My decision is that Barclays Bank UK PLC must pay Mr D £100 compensation. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 March 2024.

Jan O'Leary  
**Ombudsman**