

The complaint

Mr A complains that Barclays Bank UK PLC hasn't administered his offset tracker mortgage correctly and Mr A says he has lost out as a result.

What happened

Mr A took out an offset mortgage with Barclays in December 2009 – which initially had a 19-year term. Throughout the term of the mortgage, Mr A has been utilising the offset feature of the mortgage. Mr A has four linked savings accounts to the mortgage, with the interest received on these savings deducted off the mortgage balance.

Mr A says in 2022 he noticed on his online banking app the overall term he saved was around 10 months. When Mr A looked at the app again in 2023, he says this feature of the app is now not there and it only shows a term which equals the full term remaining, without any term being offset.

Mr A raised a complaint to Barclays and explained he was unhappy Barclays were unable to confirm the remaining term on his mortgage or provide any calculations on how it is worked out, Mr A is unclear on whether if he withdrew all his savings from the four linked accounts the term reduction to this point would revert back to the full term of 19 years, the app doesn't show his true offset benefits and he has noticed his outstanding balance is increasing.

Barclays responded to the complaint in a final response letter (FRL) of 29 March 2023. Barclays explained overall there has been no bank error. Barclays outlined they are administering the account correctly and as of the FRL date they estimated there was a term of 4 years and 9 months remaining.

Mr A didn't agree with this and referred the complaint to our service. Our investigator looked at the complaint and agreed the mortgage had been administered in line with how they'd expect. The investigator did, however, think Barclays provided poor service during a call of 28 March 2023 and recommended Barclays to award £100 to acknowledge this.

Barclays accepted our investigators findings, although Mr A disagreed. Mr A stated he still wasn't clear if his term reduced from 10 months down to 9 months and the impact means he has to pay more due to losing a month reduction. Mr A also indicated he wanted confirmation his reductions in term would be protected and not further reduced.

The investigators opinion remained unchanged, and the complaint has been passed to me for a decision.

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.

In doing so, I've decided to uphold this complaint – for broadly the same reasons as the investigator. I appreciate this will be disappointing for Mr A, but I'll explain why I don't think

Barclays needs to do anything else to put things right. Please note, I may not have commented on every point Mr A has raised – this is due to the fact I have concentrated on what I've deemed central to the complaint and whilst I haven't commented on certain aspects, this doesn't mean the complaint hasn't been considered in full.

The crux of Mr A's complaint is that his term has reduced and he is unaware how the offset features of his mortgage work. Considering this, it's important to consider the mortgage offer and what the terms set out.

Mr A's mortgage offer states his interest rate throughout the term of the mortgage would be a 'Lifetime Offset Tracker' which is a variable rate that is 0.85% above Barclays Bank PLC's Base Rate. The mortgage came with a linked current account and linked savings account. I can see Mr A hasn't used the linked current account; however, he has used the savings accounts. This means the interest accrued in the savings account, are offset against the mortgage interest.

In the terms of Mr A's mortgage, it states that interest is calculated daily. However, it calculates the monthly mortgage payment based on 1/12 of a year. This means, unless the balance or interest rate change, the same payment is due each month – even though the number of days in calendar months varies. This means at times there is a difference between the interest earned on the balance on the offset account and the mortgage payment that is due.

In all the circumstances, given the way Barclays' offset mortgage works – and bearing in mind that the Financial Ombudsman Service isn't an auditing service – I don't find that Mr A has been overcharged or that his offset mortgage has operated in line with the terms Mr A agreed.

As explained, the offset benefit is calculated on a daily basis over each month and applied to the monthly payment due in the following month. For instance, the offset benefit for March is applied against the payment due in April. This is because Mr A is entitled to withdraw money from his linked accounts and Barclays can only calculate the total offset benefit at the end of the month.

If there's an interest rate change, this will create a difference between the monthly payment and the offset benefit. If the interest rate applied to the mortgage in April 2024 was higher than it was in March 2024, the offset benefit accrued in March 2024 would be less than the interest accrued in April 2024.

As Mr A's offset mortgage is a variable product which tracks the Barclays Base rate – which since 2021 has increased in line with the Bank of England Base Rate changes. This has meant Mr A will have noticed a difference in his balance as this will have had an impact on his offset benefit and the interest accrued due to the multiple interest rate increases.

Taking the above into account, I'm not persuaded Barclays has administered Mr A's offset mortgage incorrectly and based on the transaction history I'm satisfied the account has been progressed in line with how I'd expect. I note Mr A feels he has lost a month in his term reduction, but there isn't anything I have seen which would suggest this is the case or that this has happened as a result of Barclays error.

I can see Barclays have confirmed any term reduction to date that has been achieved would be protected, as Mr A has paid more capital off to date than he would have if the mortgage wasn't offset. If Mr A did withdraw all his savings, then moving forward this would impact the speed in repaying the capital and whilst the term reduction may not remain the same – the previous offset benefits would still remain as more capital has been repaid previously than

would have been had the offset savings not been applied.

I do acknowledge during the call of 28 March 2023 Mr A did receive conflicting information and overall poor service from Barclays. As noted by the investigator, during the call Mr A was incorrectly informed his term hadn't been reduced and this undoubtedly caused him unnecessary concerns - so I agree an award of £100 is reasonable to recognise the impact of this. But for the reasons I've set out above, I see no reason to ask Barclays to recalculate Mr A's mortgage balance in anyway as it has demonstrated this has been administered correctly with Mr A receiving the appropriate offset benefit each month, reducing the overall term of his mortgage.

Putting things right

To recognise the impact of the poor service provided in call on 28 March 2023, Barclays should pay Mr A £100.

My final decision

For the reasons I've explained above, I uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 31 May 2024.

Thomas Brissenden
Ombudsman