

The complaint

This complaint is about a mortgage Mr C held until recently with Barclays Bank UK PLC. Mr C has repaid the main mortgage balance in full but has an outstanding balance owing on the linked Mortgage Current Account (MCA). Mr C says that over the life of the mortgage, he made overpayments of around £13,000 which he wants Barclays to now apply in reduction of the MCA balance. Barclays says the overpayments have already been factored into the reduction of the balance of the main mortgage, which has now been repaid in full.

Additionally, Mr C has raised two other points. He's unhappy that the mortgage was on a variable rate from 2016, when the original fixed rate deal ended, until redemption in 2023. He also wants Barclays to allow him to set up a direct debit to pay money into the MCA, but it has told him this must be a standing order.

What happened

The broad circumstances of this complaint are known to Mr 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 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 C took the mortgage out in 2006; it was a capital repayment mortgage for £90,000, repayable over 17 years 11 months. The initial interest rate deal was a ten-year fixed rate of 4.78%. The mortgage offer, dated 9 May 2006, specified that when the fixed rate expired, the mortgage would revert to a variable rate of 0.95% above Barclays' Base Rate.

The mortgage offer also stated that a linked current account (the MCA) would be set up alongside the mortgage, to access a reserve facility; in effect, a secured overdraft facility. The terms of the mortgage required any overdraft balance that accrued on the MCA to be repaid at the same time the mortgage itself is paid off.

On 14 August 2016, Barclays wrote to inform Mr C his fixed rate was ending and his mortgage would be moving to the variable rate from 1 September 2016.

Over the intervening years, Mr C made use of the reserve facility on the MCA, and an overdraft balance accrued. I can see from the correspondence history that from time to time, he raised complaints about whether the payments he was making were going to the mortgage account or the MCA. To be clear, those complaints aren't part of what I'm looking at here; they were made in 2018 and 2019, and the time limits for Mr C to ask us to look into them have long passed. I mention them solely for context, as they demonstrate Mr C's awareness that he had two separate, albeit linked, mortgage-related debts.

In later years, Mr C began paying more than he needed to into the mortgage account. These additional payments were shown as credits to the account on his annual statements, and the

aggregate value of them was listed on statements as an accrued overpayment. By January 2023, Mr C had cleared the mortgage balance altogether, but the MCA still had an outstanding balance of about £36,000, against a facility limit of £42,250. However, the MCA balance was now due for repayment in full because the mortgage had been repaid.

Mr C complained after asking for the accrued overpayment on the mortgage to be used to reduce the MCA but Barclays told him that had already been taken off the mortgage balance. It also told him he couldn't set up a direct debit into the MCA, only a standing order, and rejected a claim that he'd been forced onto a higher interest rate in 2016.

When the case came to us, our investigator didn't recommend the complaint be upheld. Mr C has asked for it 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.

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

I've looked at the statements Barclays issued to Mr C for the mortgage and the MCA. Those for the mortgage account show all of the payments he made over time (including those periods where he was making two separate payment each month, one by standing order and the other by direct debit) being credited to the account. Every payment credited to the mortgage account reduced the outstanding balance, so I agree with Barclays when it says that Mr C has already received the benefit of the overpayments he made.

There wasn't a lump sum of accumulated over-payments sitting in a holding account to be applied elsewhere. It had already been applied. The aggregate value of the overpayments was listed on the statements for information purposes; this told Mr C how far ahead of schedule he was in bringing down the mortgage balance.

In his response to the investigator's view, Mr C says the mortgage was always due to be repaid in January 2023; However, the contractual documentation suggests otherwise. The offer shows the mortgage term was 17 years 11 months from the outset; even using the mortgage offer date as a reference point, that would run until April 2024. However, Barclays' internal records indicate the mortgage completed in September 2006, with the first payment due in October 2006, and that the scheduled end date was in August 2024.

The fact that Mr C's mortgage account was cleared in full around 19 months earlier than scheduled demonstrates how his overpayments have already been used to his benefit. That doesn't mean Mr C has to take Barclays' word, or indeed mine, that everything is now as it should be. If Mr C has a real and substantive belief that he's not received the credit for his overpayments, it is open to him 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 C would have to meet the cost of the audit, albeit if errors were found that were to his detriment, he 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 his satisfaction, Mr C would still have the opportunity to refer that complaint to us.

Other matters

It's not in dispute that Mr C still owes Barclays money in the form of the overdraft balance on the MCA. The most recent figure I have to hand is taken from the October 2023 MCA statement, when the debt was around £35,400; it's likely to be different now. The debt is overdue for repayment now that the main mortgage has been repaid, so Mr C and Barclays need to reach agreement on how that will happen.

If they haven't already done so, I hope the two parties can agree a payment plan, without recrimination over what has gone before, that fairly takes account of Mr C's financial circumstances. What I would say is that if Mr C intends to make regular automated payments into the MCA, it will need to be by way of a standing order from the source account, and not a direct debit. Barclays' systems are not set up in such a way as to allow a direct debit to be used to put money *into*, as opposed to taking money *out of*, a current account.

That leaves the issue of the interest rate Barclays charged on the mortgage after the initial fixed rate needed in 2016. The first thing to note is that the rate to which the mortgage reverted is the one that the mortgage offer said it would revert to. In that context, Barclays did nothing wrong; it administered the account in accordance with the original contract.

As far what happened after that, it seem to me there are two thing for me to consider; those are, whether Barclays:

- placed obstacles in the way of Mr C getting a new rate; and/or
- failed to take reasonable steps to let him know this was a possibility for him to explore.

Having looked at the correspondence Barclays sent Mr C from time to time, I couldn't fairly find in favour of Mr C on either test. I'll explain why, starting with the letter of 14 August 2016.

That letter informed Mr C that he could contact the business to ask about taking out a new deal if he wished to. It also pointed out that with the mortgage reverting to the variable rate, it wouldn't be subject to an early repayment charge. So I'm satisfied there was no obstacle imposed by Barclays to Mr C seeking a new rate, and that Barclays had informed him how he could so if he wanted to.

It seems Mr C never took Barclays up on that, and the mortgage remained on the variable rate thereafter. Mr C may have had his own reason for not doing so, but Barclays did all that was required of it by giving Mr C the information and opportunity needed in order for him to seek a new rate if he wanted one. Similar narratives were included in annual statements from 2021 onwards.

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 C to accept or reject my decision before 1 May 2024.

Jeff Parrington

Ombudsman