

The complaint

Mrs S's complaint is about her mortgage account with Barclays Bank UK PLC. Mrs S says that, despite a payment plan having been agreed, Barclays cancelled it in December 2022, and registered adverse information on her credit file.

Mrs S wants Barclays to accept its errors, pay compensation and amend her credit file to remove the adverse entries.

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. In addition, our decisions are published, so it's important I don't include any information that might lead to Mrs S being identified.

Furthermore, the historical events giving rise to the complaint have been somewhat overtaken by a more recent payment arrangement agreed between Mrs S and Barclays.

In addition, Barclays has accepted it made an error, so I don't need to analyse what happened in order to determine whether or not the bank is at fault; all I need to decide is what Barclays should do to put things right.

So for these reasons, I will 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.

Mrs S has a mortgage with Barclays taken out about 15 years ago. This complaint follows on from a previous complaint which covers events up to April 2022, which was resolved and closed by our service in July 2022. I will therefore not refer to any of the issues in that complaint, except by way of background.

Mrs S entered into a payment arrangement with Barclays in March 2022. The arrangement was for Mrs S to pay off accrued arrears of £6,729.91 over a 30-month period, due to end in August 2024. Unfortunately after interest rates increased in September 2022, Mrs S's finances were put under some strain. Mrs S spoke to Barclays on 13 December 2022 and said she was struggling to afford the plan and asked Barclays to reassess her income and expenditure (I&E). As a result, Barclays cancelled the payment arrangement, which Mrs S neither asked for nor expected. Barclays said it sent a letter confirming this on 15 December 2022.

Mrs S received a collections letter in early February 2023 and contacted Barclays when she was upset to be told that the payment plan had been cancelled.

Mrs S complained to Barclays, but due to delays in the bank's response, Barclays provided Mrs S with referral rights to our service. Mrs S said that Barclays had incorrectly recorded arrears on her credit file as a result of its administrative errors in cancelling her payment arrangement. As a result, she'd not been able to move her mortgage to a new lender.

An Investigator looked at what had happened. He thought Barclays should reinstate the payment arrangement from December 2022 and pay Mrs S compensation of £400.

In response, Barclays explained that all payments Mrs S had been making in excess of the monthly instalment had been applied to reducing the arrears and so the net position on the account was the same as if the arrangement had still been in place. Barclays agreed to pay the £400 compensation.

Mrs S didn't think the £400 compensation was sufficient and that the payments had been credited to the mortgage, not the arrears. Mrs S also said that she and Barclays had now come to a new payment arrangement. However, Mrs S wanted an Ombudsman to review the complaint in its entirety.

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 Barclays shouldn't have cancelled the payment arrangement in December 2022 without Mrs S's consent. Because this happened, even though Mrs S was continuing to pay the amount agreed, because Barclays had cancelled the payment arrangement and wasn't able to speak to Mrs S to put a new arrangement in place this showed up as arrears on the account.

Barclays said that it would need Mrs S to complete a new I&E, as the previous one was now out of date. However, Barclays wasn't able to contact Mrs S in order to do this.

Barclays has acknowledged it shouldn't have cancelled the plan, and, in correspondence with the Investigator, noted the impact on Mrs S's credit file. On 18 January 2024 Barclays confirmed it would look to reinstate the situation, as if the arrangement hadn't been cancelled in December 2022.

The mortgage account would still, of course, have been in arrears, because the arrangement was in place in order to pay off arrears. So I'm not persuaded that the error by Barclays in December 2022 would have made a significant impact on any new mortgage application. That's because any potential new lender would be able to see that there were historic arrears, whether or not a payment arrangement was in place.

Barclays has explained that the payments Mrs S has been making have reduced the arrears, and I can see this from the payment history. I'm also glad to note that a new payment arrangement has been put in place, after Mrs S completed a fresh I&E. This means that the March 2022 payment arrangement has now been superseded, with the new agreement between Mrs S and Barclays replacing it.

Putting things right

I'm satisfied that Barclays should compensate Mrs S for the distress and inconvenience it caused when the payment arrangement was cancelled in December 2022. I think £400 is fair and reasonable for this. I say this because ultimately all payments made have been correctly applied towards the arrears. However, the bank's actions did cause Mrs S worry and upset, which could have been avoided if Barclays had told Mrs S during the call in December 2022 that it intended to cancel the payment arrangement.

Barclays should also amend Mrs S's credit file to show the arrangement continuing from December 2022 onwards, as if it hadn't been cancelled.

My final decision

My final decision is that I uphold this complaint. I direct Barclays Bank UK PLC to settle the complaint as detailed above.

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 Mrs S to accept or reject my decision before 7 May 2024.

Jan O'Leary
Ombudsman