

## **The complaint**

Mrs S complains that Barclays Bank UK PLC didn't apply a lump sum payment into her mortgage account correctly.

## **What happened**

Mrs S made a lump sum payment of £47,000 into her mortgage account in mid-February 2023. This was almost enough to repay the mortgage. Mrs S says this wasn't correctly applied to her account.

Barclays says it made an error. It should have applied the payment as a part redemption and re-calculated Mrs S's contractual monthly payments (CMP). Instead, it applied the payment as an overpayment. The balance was reduced but it didn't re-calculate Mrs S's CMP.

Mrs S called Barclays in early March 2023 as she hadn't had confirmation it had received the payment. She told Barclays she'd chosen to repay less than the balance as she wanted to retain the mortgage and have the monthly payments re-calculated over the remaining term.

The payment Barclays requested for March 2023 wasn't adjusted to take account of the reduced balance. Mrs S stopped the payment. There were problems with the direct debit payments in April 2023 and May 2023 and Barclays sent Mrs S arrears letters.

Barclays re-worked Mrs S's account so that the £47,000 was applied as a part redemption in mid-February 2023. It paid £75 and offered another £200 for the distress and inconvenience.

Our investigator said Barclays had done enough to put matters right.

Mrs S didn't agree. She said Barclays had credited her payment to a different account and only corrected this when she contacted it. She set out the errors made by Barclays and the times she'd had to contact it.

## **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.

Barclays sent a copy of the 2023 annual statement for Mrs S's mortgage. This shows the £47,000 payment applied on 14 February 2023 as a part redemption. The amount of interest applied each month after this is reduced. I think Barclays has re-worked Mrs S's mortgage account as if the £47,000 payment had been correctly applied when it was first received. So Mrs S hasn't been left out of pocket. There's no doubt though that this matter did cause Mrs S inconvenience and worry.

Barclays took Mrs S's CMP for February 2023 by direct debit on 16 February 2023. Mrs S says it should have returned this rather than apply it to her mortgage. I don't think it's reasonable to say that Barclays made an error when it didn't adjust or return the CMP due in February 2023. Mrs S's lump sum payment arrived in mid-February 2023, so Barclays wouldn't have been able to take this into account when it calculated the CMP. Direct debit

payments take several days to request and process, and it's likely this payment was already in progress when Barclays received the lump sum.

Whether Barclays made an error when it didn't adjust the CMP for March 2023 is less clear. I don't know if there'd have been time for Barclays to re-calculate the CMP for March 2023 if it had applied the payment as a part redemption when it was received in mid-February 2023. What is clear is that its request for the unadjusted CMP – which Mrs S didn't expect – led to further problems. Mrs S cancelled the direct debit payment. This resulted in her receiving arrears letters.

Barclays wrote to Mrs S in mid-March 2023 confirming receipt of the £47,000 payment and the new CMP for April 2023. There were however problems with payments being collected by direct debit in April 2023 and May 2023. The direct debit instruction was set up again in May 2023. And Barclays adjusted Mrs S's account to remove the arrears.

I've taken all of this into account when considering the amount of compensation that is fair and reasonable.

Mrs S says her mortgage payments kept fluctuating. The payments from March 2023 to June 2023 do vary, which I think reflects the problems and corrections described above. After this, I think the changes to the CMP were due to changes in the interest rate.

Mrs S said she wants proof in writing of the payments Barclays had taken. The annual mortgage statement sets out the payments into the mortgage account. Mrs S can compare these to the account she uses to make payments if she remains concerned there's a mismatch.

Barclays did make errors here. It didn't apply the £47,000 as a part redemption when it was received. Mrs S had to call and request this. If it was too late for Barclays to adjust the CMP for March 2023 I think it should have told Mrs S this. Mrs S stopped her direct debit payment in March 2023 as Barclays was asking for an amount she thought was incorrect. As a result, she received arrears letters and the direct debit instruction had to be set up again. I think it's right that Barclays pays compensation.

In fairness, I must also take into account that, despite Mrs S's concerns, Barclays didn't lose her payment. It applied it as an overpayment, seemingly on the assumption that Mrs S intended to repay the mortgage. I've also taken into account that Barclays re-worked Mrs S's account promptly when she called in early March 2023 to explain that she wanted to retain the mortgage.

Taking all of the circumstances into account, I think Barclays offer of £275 compensation is fair and reasonable in the circumstances.

#### *Transferring the account into Mrs S's sole name*

Mrs S had raised concerns with us about Barclays failing to remove her late husband's name from the mortgage account.

Our rules say that we must first allow respondents the opportunity to respond to complaints. When Mrs S brought her complaint to us, it seemed she hadn't yet raised a complaint with Barclays about it failing to transfer the account into her sole name. So our investigator didn't look into or make recommendations about this part of Mrs S's complaint and I'm not making any findings about it here.

Mrs S has told us that her late husband's name has now been removed from the mortgage

account. And her complaint about this to Barclays has been closed. Mrs S didn't say if she remains concerned about this matter. But, as I said, this isn't something I can look into here.

### **My final decision**

My decision is that Barclays Bank UK PLC should pay £275 to Mrs S, as it offered to do. It can deduct any amounts it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 1 May 2024.

Ruth Stevenson  
**Ombudsman**