

The complaint

Mr P and Miss S's complaint is about the way in which Barclays Bank UK PLC has administered their offset mortgage account.

To put matters right, Mr P and Miss S want Barclays to compensate them for their financial losses, and for distress and inconvenience.

Although the complaint has been brought in joint names, our dealings have been with Mr P throughout on behalf of both parties.

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 also note that Barclays has acknowledged it made a mistake in relation to offsetting, and has agreed to put this right. Therefore the underlying issue that gave rise to the complaint is largely resolved and the bank has offered compensation for distress and inconvenience. Therefore I don't need to analyse the events in depth in order to decide if the bank is at fault; all I need to decide is whether Barclays has done enough to resolve the matter, or if there is anything further the bank needs to do to put things right.

So although I note Mr P wants to ensure that "*no detail is lost*", I don't need to set out the entire history of what went on, or focus on the minutiae of what happened. Instead 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.

This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr P and Miss S being identified.

Mr P and Miss S have an interest-only mortgage with Barclays. In October 2023 the interest rate product attached to the mortgage was due to expire. After discussing their requirements with a Barclays' mortgage adviser, Mr P and Miss S selected a variable rate offset mortgage which would run at 1.22% above Bank of England Base Rate (BOEBR) until 30 November 2025, following which it would revert to a rate of 3.49% above BOEBR.

The initial monthly payment was just over £3,000, but Mr P and Miss S would be offsetting some of the interest by linking a savings account to the mortgage. Barclays explains on its website:

“We offset the total balances of your linked accounts against the amount you owe on the mortgage each month, and then work out your mortgage interest on the lowered balance.”

Any linked accounts earn no interest while they’re offsetting a mortgage account.

The offsetting was meant to be in place from November 2023. However, due to a mistake by Barclays, which incorrectly put the offsetting application on hold, this didn’t take place. As a result, Mr P and Miss S were charged the full monthly repayment for November and December 2023. Barclays had also incorrectly set up the offsetting to reduce the mortgage term, whereas Mr P and Miss S had told the bank they wanted the offsetting to reduce the monthly payment.

In December 2023 Mr P made a complaint to Barclays and unfortunately was given conflicting information. The complaints team told him (incorrectly) that the account was up to date with no arrears. However, the December 2023 payment hadn’t been made. On another call to Barclays, the bank explained to Mr P that he could make a manual payment, but he was reluctant to do so, as he didn’t know the amount he needed to pay.

In its final response letter dated 8 January 2024, Barclays acknowledged its mistakes. The bank confirmed the following:

- it had refunded £1,037.32 for the overpayment in November 2023;
- it had refunded £2,371.58 for the errors made in December 2023;
- with savings of £325,000 offset against the mortgage of £557,000, the next monthly payment (January 2024) was estimated to be £1,266.32.

Barclays apologised for the errors made and offered compensation of £450 for distress and inconvenience. Mr P and Miss S didn’t accept this and brought their complaint to our service. An Investigator looked at what had happened, but didn’t think Barclays had done enough to put things right. The Investigator’s recommendation was that Barclays should do the following:

- calculate the monthly payment that should have been collected in December 2023, after taking into account the November offset benefit, and then contact Mr P and Miss S so they could make the payment;
- re-work the account based on the updated outstanding balance after taking into account the December 2023 payment, and the impact this would have had on interest charged going forward;
- if the calculations showed Mr P and Miss S have now overpaid as a result of the errors made in late 2023, give them the option either to have a refund (with 8% simple interest from the date of each overpayment) or to use the surplus to reduce the capital balance;
- for the refund from November 2023, Barclays should pay simple interest at 8% per annum from the date of the overpayment to the date of refund;
- pay compensation for distress and inconvenience of £450.

Barclays accepted the Investigator’s findings, and confirmed that, to bring the account up to date, a payment of £1,353.29 needs to be made. Barclays said that if the correct amount had been demanded in December 2023, £32.16 in interest would have been saved. There was no overpayment on the account to be refunded. Barclays provided its calculations.

The Investigator reviewed Barclays' calculations and confirmed to Mr P that the figures were correct. Mr P said that, whilst he didn't doubt this, he felt Barclays needed to communicate this to him effectively and directly. Mr P also didn't think the compensation of £450 was adequate, given that he thought he was going to lose his home at Christmas, as well as the worry that the family wouldn't be able to afford routine housekeeping items or spend money in the lead up to Christmas.

Mr P said that this resulted in him suffering high blood pressure and losing his hair. Mr P said he found the bank's attitude in the face of his mounting distress to be "*casual*". He also said that Barclays had *never* told him he needed to make a manual payment in December 2023.

The Investigator reconsidered the matter, noting what Mr P had said. He noted that Barclays had suggested to Mr P in a telephone call on 19 December 2023 (the recording of which the Investigator had listened to) that a manual payment could be made, but Mr P hadn't wanted to do this because he didn't have confirmation of how much he needed to pay. The Investigator didn't think that was unreasonable, because it was up to Barclays to tell Mr P how much he needed to pay, and as Barclays didn't know, and couldn't tell Mr P, the Investigator didn't think Mr P could have mitigated the situation. However, the Investigator thought the £450 offered for distress and inconvenience was fair and reasonable.

Mr P asked for an Ombudsman to review the complaint. He said "*I remain of the view that the compensation offered by Barclays is insufficient*".

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 can see from what Mr P has told us that he found dealing with Barclays to be frustrating and stressful. I can understand why – Mr P didn't seem to be able to get a straight answer from anyone about what was happening with his mortgage, and he kept having to repeat himself with every new person he spoke to. Barclays wasn't able to tell him how much he needed to pay in December 2023.

Barclays had also incorrectly set up the offsetting as term reducing, rather than payment reducing. This meant that, in error, Barclays called for the full monthly repayment.

I'm glad to note that Barclays has acknowledged its service on this occasion was poor, and in the final response the bank said it "*can only apologise for our incompetence, your waste of time in chasing your application and the fact we did not follow your instructions as requested. However, [it] can happily confirm that the offset mortgage has now successfully been set to payment reducing.*"

Therefore I'm satisfied that the underlying issue giving rise to the complaint – the incorrect set-up of the offset account – has now been resolved. All that's required is for me to decide what Barclays needs to do to resolve this complaint.

Putting things right

I note that Barclays has calculated the impact of its actions on the mortgage account. The Financial Ombudsman Service doesn't carry out its own redress calculations, nor do we expect consumers to do so.

I've reviewed Barclays' calculations, and I'm satisfied they are accurate. A payment of £1,353.29 needs to be made by Mr P and Miss S to bring the account up-to-date. If Barclays had calculated the offsetting correctly for December 2023, Mr P and Miss S would have saved interest of £32.16, which Mr P and Miss S can either have reimbursed to them (with interest at 8% per annum simple) or deducted from the capital balance of the mortgage.

I'm satisfied there's been no overpayment on the mortgage, so no additional refund needs to be made. I'm also satisfied that there has been no impact on Mr P and Miss S's credit files in relation to this matter or the account being underpaid.

Mr P and Miss S don't have to accept Barclays' calculations. It's always open to them to have the account audited by a suitably-qualified professional, such as an accountant, at their own expense. If the result of such an audit showed further discrepancies in the account that were to Mr P and Miss S's detriment, they would be entitled to raise a fresh complaint against Barclays about these, and include in their claim for compensation the cost of the audit.

In relation to distress and inconvenience, I've given careful consideration to everything Mr P has said about the impact of these events on him. Our awards of compensation aren't meant to be punitive, and we don't award damages for personal injury, pain and suffering in the way a court would do. Therefore, in all the circumstances of this case, I'm satisfied that the offer of compensation of £450 is fair, reasonable and proportionate to the distress and inconvenience caused by Barclays in relation to the distress and inconvenience caused by the errors the bank made.

My final decision

My final decision is as follows:

- On payment by Mr P and Miss S of £1,353.29 to bring the account up-to-date, Barclays Bank UK PLC must refund interest of £32.16.
- Mr P and Miss S can opt to have the interest repaid to them or have it deducted from the capital balance of the mortgage.
- If the refund is paid direct to Mr P and Miss S, Barclays Bank UK PLC must pay interest at 8% simple per annum on the £32.16 from the date the interest was charged to the date of refund.*
- For the refund from November 2023, Barclays Bank UK PLC must pay simple interest at 8% per annum from the date of the overpayment to the date of refund.*
- Barclays Bank UK PLC must pay compensation of £450 for distress and inconvenience.

* If Barclays Bank UK PLC considers that it is required by HM Revenue & Customs to withhold income tax from any interest, it should tell Mr P and Miss S how much it has taken off. Barclays Bank UK PLC should also give Mr P and Miss S a tax deduction certificate if requested, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Miss S to accept or reject my decision before 22 October 2024.

Jan O'Leary
Ombudsman