

## **The complaint**

Mr and Mrs T are unhappy with the actions made by Barclays Bank UK PLC. They say they are unhappy as due to a technical error, Barclays failed to collect their mortgage payments which caused them to go into arrears.

Mr and Mrs T say Barclays then reduced their overdraft limit on the mortgage current account (MCA) which meant they had to borrow money from family to repay around £9,800 off the mortgage. They say Barclays has reported negative information on their credit file which is affecting them.

They also believe the MCA was mis-sold to them and disagree with the interest rate which has been charged on it. They say the interest rate was initially 1.99% and Barclays have since changed it to the Bank of England base rate plus 4.49% which they believe is incorrect.

## **What happened**

Mr and Mrs T took out a mortgage in 2007 along with an MCA.

They complained to Barclays in March 2021 about the interest rate on the MCA. They were of the belief that it should be 1.99% and not 4.49% above the Bank of England base rate. Mr and Mrs T said they were never informed about this and wanted a breakdown of how the MCA reserve limit was calculated along with compensation to cover the cost of calls they had to make to Barclays.

Barclays issued their final response letter to this complaint on 23 March 2021. They said the MCA had to be taken out as a condition of the mortgage they took out in 2007. Barclays said statements were sent out monthly which confirmed the rate of interest Mr and Mrs T were being charged. They said the interest rate was always subject to change at any given time in accordance with increases to the standard variable rate (SVR) which they apply to the reserve limit on the MCA. Barclays said the interest for the reserve limit is accrued on a daily basis and is billed directly to the MCA.

Barclays didn't agree that they had charged interest incorrectly but they did acknowledge that Mr and Mrs T had some service issues, and they offered £655 in recognition of this.

This letter explained that Mr and Mrs T had six months from the date of that letter to bring the complaint to us. If they didn't do so, and there were no exceptional circumstances, Barclays said that they wouldn't consent to us looking at the complaint.

Mr and Mrs T complained to Barclays a number of times in 2023. One of the final response letters Barclays sent on 4 July 2023 explained that Mr and Mrs T were complaining about the interest rate which was already covered off in the March 2021 final response letter – so they said they would not revisit this again.

Mr and Mrs T referred their complaint to the Financial Ombudsman Service on 30 August 2023.

Our investigator said that we could only look at the complaint about the interest rate from 23 March 2021 because Mr and Mrs T didn't refer the complaint to us within six months of the final response letter dated 23 March 2021.

After reviewing the merits of the complaint, the investigator didn't uphold it and thought that the £655 that Barclays offered Mr and Mrs T was reasonable in the circumstances of the complaint.

Mr and Mrs T didn't agree with this. They said they never received the letter dated 23 March 2021 and felt that Barclays had fabricated it to make it look like it had been sent at that time.

I issued a decision on 10 June 2024 setting out our jurisdiction on the complaint. I said that we would consider how interest was calculated on Mr and Mrs T's mortgage from 23 March 2021. I also explained that we would consider the complaint points that Mr and Mrs T made about Barclays cancelling their direct debit and the impact that this had on their credit file along with the changes that Barclays made to the overdraft limit on the MCA.

As Mr and Mrs T disagreed with what the investigator said, they asked for the complaint to be reviewed by an Ombudsman, so it's been passed to me to decide.

### **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've taken into consideration everything that Mr and Mrs T and Barclays have said and I know that Mr and Mrs T feel very strongly about their complaint. They have provided detailed comments in support of their views which I can confirm I've read, understood and considered in reaching my decision. However, I trust that Mr and Mrs T will not take it as a discourtesy that my findings focus on what I consider to be the central issues and are expressed in considerably less detail. I am required to determine what is fair and reasonable in all the circumstances of the case and as such, I have concentrated on the key points in order to determine a fair and reasonable outcome.

#### *Direct debit*

I can see that Mr and Mrs T asked Barclays for a payment holiday in relation to Covid-19.

Mr and Mrs T contacted Barclays in May 2021 because they had taken two direct debits when they shouldn't have done – because a payment holiday had been agreed. Barclays refunded these payments to Mr and Mrs T and compensated them £80 for the error that they made. But Barclays didn't reinstate the direct debits which meant that no mortgage payments were taken when they should have been and ultimately resulted in the mortgage account going into arrears.

Barclays explained that there was a technical error on their system which showed the mortgage balance had been repaid – but this wasn't the case.

It's clear that Barclays made an error here and Mr and Mrs T did notify Barclays about this as soon as they found out. Barclays have said that Mr and Mrs T were in the process of applying for mortgage interest support through the Department of Work and Pensions (DWP) and when they called Barclays to discuss the direct debit error, they told Barclays that they were still unable to make the mortgage payments. So based on this, it's likely that even if Barclays attempted to take the direct debit – they still wouldn't have been paid. I therefore don't think that Mr and Mrs T's situation would have been any different and didn't fall into arrears only because of the direct debit issue. They weren't able to make their mortgage payments so while the error occurred with the direct debit, Mr and Mrs T were not able to make their mortgage payments. Barclays did offer an additional £200 for this mistake.

#### *Reduction in MCA limit*

In May 2023, Barclays carried out an income and expenditure assessment which showed that there was a negative income of £2,811.85 and Mr and Mrs T explained that they didn't have a plan in place to repay the MCA balance at the time. Because of this, Barclays

reduced the MCA limit to prevent further borrowing and to prevent the mortgage falling further into arrears.

I don't think that this was an unreasonable step for Barclays to take considering the situation that Mr and Mrs T found themselves in.

Barclays then agreed a payment arrangement to allow Mr and Mrs T to make lower payments and a payment of £9,800 was made on 25 May 2023 which reduced the balance to around £63,300. Barclays then reduced the limit on the MCA to £64,000.

Mr and Mrs T raised a complaint with Barclays as they wanted to borrow £1,000 from the MCA following this payment and they said they were told this would be possible. But Mr and Mrs T were unable to borrow this amount. Barclays said as Mr and Mrs T didn't have a plan in place to repay the MCA they wouldn't allow them to borrow any further funds. And in addition to this, they said the income and expenditure assessment showed a negative income, so they couldn't let Mr and Mrs T borrow anymore.

Barclays offered Mr and Mrs T £175 compensation for the error in telling them they could borrow this money, and for the inconvenience caused.

I appreciate that Mr and Mrs T were initially told they could borrow this additional amount, I don't think it was wrong of Barclays to decline it based on the assessment that was carried out. Barclays – as well as other lenders – have to ensure that any borrowing is affordable for consumers or they could be seen as lending irresponsibly. So I'm satisfied that Barclays acted reasonably here.

#### *Credit file*

Mr and Mrs T raised a complaint with Barclays in November 2023 as they were unhappy that their credit file showed their mortgage as being in arrears.

It's clear that Barclays made an error by not setting up the direct debit following on from the covid payment holiday – which resulted in the mortgage going into arrears. However, it's also evident that Mr and Mrs T were in financial difficulty. The contact notes provided by Barclays show that Mr T called on 14 May 2021 to explain that he was still unemployed since covid and had just started in a self employed position and waiting to get more work from the company.

As I said above, even if the direct debit had been set up, it's unlikely based on the conduct of the mortgage account that Mr and Mrs T would have been in a different position. And their mortgage account did fall into arrears. Barclays have a duty to report accurate information surrounding Mr and Mrs T's credit file and I haven't seen anything that suggests they have done so unfairly.

I can see that Mr and Mrs T did repay their mortgage in full in November 2023.

#### *Interest charged on the MCA*

I've taken a look at the original mortgage offer and the terms and conditions of the mortgage but none of these documents show the interest rate that was charged on the MCA account. We have asked Barclays for this information but they haven't been able to provide it.

A mortgage statement sent to Mr and Mrs T from 2012 explains that '*additional borrowing drawn down from the Mortgage Current Account Reserve is charged at the Woolwich Standard Variable Rate*'. The statement from 2017 has the same wording on it.

I've looked at the statements from 2018 and 2020 which explain that the MCA is charged at Barclays standard variable rate and the statements from 2021 and 2022 don't explain the interest charged on the MCA.

Based on the information we have, we know that Barclays charged interest on the MCA at 4.49% above the Bank of England base rate – by March 2021. Barclays wrote to Mr and Mrs

T on 23 March 2021 explaining that to them. Barclays then changed the interest rate to 3.49% above Bank of England base rate.

It appears to be that Barclays changed the interest rate they charged on customers MCA accounts from the standard variable rate to one that tracks the Bank of England base rate. Barclays have imposed a margin above base rate on customers' accounts but they haven't been able to evidence to us why they have made this change or what contract term within their terms and conditions they relied on.

It's difficult to say whether Barclays did this unfairly without knowing that information but the main question here is whether this change disadvantaged Mr and Mrs T.

Mr and Mrs T's mortgage was on a tracker rate and Barclays standard variable rate has been at the same level since they made the changes to the interest rate. So in simple terms, whether Barclays charged interest on the standard variable rate or the new tracker rate that Mr and Mrs T were on – this rate would have been the same. Any interest rate increases which were as a result of changes to the Bank of England base rate would likely have occurred regardless of whether the mortgage was charged at the standard variable rate or the new tracker rate.

From my knowledge about Barclays MCA accounts, they were all originally taken out on the Woolwich's standard variable rate which was the same as Barclays standard variable rate.

Mr and Mrs T's mortgage wasn't an offset mortgage so their MCA account wouldn't have been charged at the same rate as the mortgage – unless it was offset.

Based on everything that I have seen and what I think is likely to have happened, is that the mortgage was agreed on the basis that it would be charged at the Woolwich standard variable rate which the mortgage statements from 2013 show.

Barclays have now since changed this rate to a tracker rate which has been the same as the standard variable rate since 23 March 2021 – which is when I'm able to look at the interest rate from. So I can't say that Mr and Mrs T have been overcharged an unfairly high rate of interest on their mortgage.

It's not unusual for interest to be charged on the MCA and interest is charged if money is drawn down against it – which Mr and Mrs T did do.

I appreciate that things have been difficult for Mr and Mrs T and I know they found it difficult to keep up to date with their mortgage payments since 2021 which has also coincided with the increases in the Bank of England base rate. But I'm satisfied that Barclays charged interest on Mr and Mrs T's mortgage fairly.

Barclays have acknowledged that there were some things they could have been better at when it came to their service and overall they offered Mr and Mrs T £655 compensation to reflect that. I believe this amount is reasonable in the circumstances of this complaint.

## **My final decision**

For the reasons given above, I uphold this complaint.

Barclays should pay the total compensation of £655 if they haven't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 27 August 2024.

Maria Drury  
**Ombudsman**