

The complaint

This complaint is about a mortgage Mr M held with Barclays Bank UK PLC. The gist of the complaint is that Mr M believes Barclays has charged interest on his linked overdraft unfairly, and not offered him any help or support over the years.

What happened

In what follows, I have set out events in rather less detail than they have been presented. No discourtesy's intended by that. It's a reflection of the informal service we provide, and 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. 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.

Our decisions are published and it's important that I don't include any information that might result in Mr M being identified. Instead I'll give a summary in my own words and then focus on giving the reasons for my decision.

Mr M took the mortgage out in 2005. In 2007, a linked mortgage current account (MCA) was opened, and in 2009, Mr M took a further advance on the mortgage.

The MCA is an overdraft facility, which works like this: as each £2,000 of capital is repaid off the mortgage, the overdraft limit on the MCA increases by the same amount, due to what Barclays calls 'rebalancing'. Barclays can, at its discretion, cap or reduce the MCA reserve limit, as provided in the MCA terms and conditions.

The MCA operates on an interest-only basis. Interest is charged on the overdraft balance at Bank of England Base Rate plus a specified margin, except where the mortgage is a specific offset mortgage, where interest is charged at the offset mortgage rate. (Mr M's was not that type of mortgage and so the interest rate was Bank of England Base Rate + a specified margin)

The reserve can be spent by the borrower, through the MCA. But it's not designed to be an additional regular income stream for the borrower; nor should it be used to make the mortgage repayments.

Borrowers are free to repay the money they've spent through the MCA overdraft, in part or in full, if they wish to do so, at any time. They can pay money into the MCA if they want to, and operate it in credit. If there is a credit balance, interest accruing on that balance can, if the customer requests it, be offset against the mortgage interest. But the MCA in this case wasn't in credit and so it operated as an overdraft facility with debit interest accruing on the outstanding balance.

The overdraft also becomes immediately repayable in full when the related mortgage account is repaid – either when the mortgage reaches the end of its term or if the mortgage is repaid sooner (for example, on sale or re-mortgage of the property). In Mr M's case, the mortgage and overdraft were repaid in 2023 when he re-mortgaged to a different Barclays mortgage. He still has the current account but it is now a standalone account, not linked to the new mortgage.

Mr M has complained about the interest Barclays charged on the MCA; the essence of his complaint is that he was told the overdraft was authorised and seemingly inferred from this that it was interest-free. He also thinks Barclays should have stepped in and offered him help and support rather than just allow the overdraft to increase over the years he held the MCA.

Our investigator started by explaining to Mr M that she could only look at the interest charged in the six years up to the start of the complaint; that is, between February 2018 and the repayment of the overdraft in 2023. Mr M accepted that.

As to the case itself, the investigator didn't think Barclays had treated Mr M unfairly. Mr M has asked for the case 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.

For the avoidance of doubt, my consideration of the case is confined to events since February 2018; I may reference earlier events, but if I do, it is for context only.

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

Overdrafts can be authorised or unauthorised; they can also be interest-free or interest-bearing. But there's no correlation between the two variables. Unless separately specified, an authorised overdraft will still attract interest, albeit typically at a lower rate than an unauthorised overdraft.

In Mr M's case, the overdraft on his MCA was authorised, but I'm satisfied it was also interest-bearing. I'm also satisfied the documentation Barclays sent Mr M throughout the life of the MCA made this known to him, or least it should have, Mr M has said he was never informed about the interest, but he's also told us, in a phone conversation with the investigator on 18 June 2024, that he didn't pay a great deal of attention to his MCA statements. That may be true, but it's not helpful to Mr M's claim that he didn't know his authorised overdraft was interest-bearing.

Is it also worth mentioning here that, even if he hadn't been aware of the interest rate from the MCA statements, the annual mortgage statements have a specific section detailing the interest rate applied to the MCA. So Mr M would have had two separate channels of information telling him what the interest rate on the MCA was.

On the element of the complaint that Barclays didn't intervene to offer him support, that's not something I'd expect a business to do unprompted and uninvited. If asked, then it's reasonable to say Barclays would be obliged to engage with a borrower who has reported being in difficulties to see what help is available. But that's not what happened here. There's no indication that Mr M ever reached out to Barclays to say he was in financial difficulties and needed help.

If Mr M is still experiencing financial difficulties he might find it helpful to speak to one of the free debt advisory services such as Citizens Advice, StepChange or Shelter. We can provide contact details for those agencies on request.

My final decision

My final decision is that I don't uphold this complaint, or make any order or award against Barclays Bank UK PLC.

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 M to accept or reject my decision before 11 November 2024.

Jeff Parrington
Ombudsman