

The complaint

Mr and Mrs B complaint that Barclays Bank Plc failed to properly administer its investment portfolio in respect of investment portfolio charges paid for an offshore bond.

What happened

Mr B is the representative in this complaint for himself and Mrs B. They held an investment portfolio with Barclays, under an advisory relationship. They have now since transferred this portfolio to a different business. They have also pursued a complaint to this service about that transfer which Barclays addressed in February 2023. However, that is a separate complaint which has been considered and resolved.

Whilst the relationship was still in place - in early 2022 - Mr and Mrs B's appointed adviser left Barclays, and they were in the position where they had no adviser assigned to them from around February 2022 to August 2022. It was during this time that an administrative issue arose with the offshore bond (held with Utmost International).

Unbeknownst to Mr and Mrs B, a payment mandate to Utmost wasn't updated and fees were charged without funds present, which caused the cash facility for the holding to become overdrawn, and this incurred £1,543.27 of overdraft charges.

Mr and Mrs B complained. They explained that Barclays would have ordinarily ensured funds were available for the charges, and by not accounting for these they had lost out financially.

Mr and Mrs B then brought their complaint to this service, because they did not receive a final response letter within eight weeks of making their complaint.

Barclays replied thereafter, upholding the complaint. It accepted that, in the absence of the adviser, it had failed to undertake its usual measures to ensure fees were covered within the portfolio. Barclays agreed the overdraft charges should not have occurred and agreed to put matters right by providing a return of any costs, less a calculation of any growth whilst the funds remained invested.

An investigator from this service then considered the complaint. He was pleased to note that Barclays accepted the complaint should be upheld in full, and so, the only outstanding matter for consideration was the financial calculation to put matters right. To that end, he proposed the following redress:

Barclays to pay Mr and Mrs B an amount equal to:

- The amount of interest Utmost charged for the overdraft since the payment issue Barclays caused until it was resolved, which Mr and Mrs B paid (which he called 'A');
- Less any growth, if there was any, that had been earned from (A) remaining invested during the period of the overdraft interest being in place and due; plus
- £100 additional compensation for the impact the frustration and inconvenience of this debt occurring, and the time it took Barclays to resolve it once raised.

The investigator explained that 8% simple interest wasn't due on this amount. This was since the money Mr and Mrs B would have encashed some to pay the Utmost fees remained invested - so they hadn't been deprived of the use of that money.

Barclays accepted the investigator's view.

Mr B said he was unhappy with the compensation of £100 for the error made. He has had to spend time preparing to make the complaint, chase Barclays and spend time generally on the matter. In his view, an award in the range of £350 to £750 was more appropriate.

He also disagreed about the application of interest within the proposed redress. He noted:

- The effect of the interest charged by Utmost – caused by Barclays – reduced the size of their investment pot and therefore affected their overall opportunity for growth.
- Since the transfer to the new business in March 2023, the bond has achieved an annualised growth rate of 6.85% - had the interest charges not been incurred because of Barclays negligence and/or incompetence then the capital set out by the investigator in the redress at point (A) would have shared this growth.
- Furthermore, interest should be due on the whole sum.
- He also questions whether the cash could be returned to the bond.
- He has doubts on Barclays' ability to access information on portfolio performance.

Our investigator remained of the view that £100 was appropriate compensation in the circumstances. He then revised his calculation on the redress. He set it out that Barclays should do as follows:

- (A)– calculate the amount of interest Utmost charged for the overdraft since the payment issues Barclays caused, until it was resolved, which Mr and Mrs B paid;
- (B) – calculate the charges which caused the overdraft;
- (C) calculate the growth (if any) earned by (B) when those funds remained invested during the period of the overdraft interest being in place and due;
- (D) – calculate the amount of growth (A) would've earned had (A) remained invested in Mr and Mrs B's portfolio until settlement – from the date the interest was paid until settlement.
- Pay Mr and Mrs B the amount (E) where:
E = ((A less C) plus D), and
Pay £100 for the inconvenience caused.

The investigator said that Barclays should attempt to pay any redress into the bond, or otherwise pay it to Mr and Mrs B directly – only where it cannot be paid into their investment. Barclays confirmed it would seek to pay into the Utmost bond, when it received appropriate consent.

Again, Barclays accepted the investigator's view.

Mr B replied to the investigator to explain that he did not trust Barclays to act with any honesty or integrity, but he did want to put an end to matters. He therefore wrote to Barclays in respect of calculating the settlement.

The complaint was initially closed by one of our investigators as resolved. However, Mr B explained the matter wasn't resolved,

Mr B said he didn't understand the logic of allowing a complaint to be resolved (if it was in

his and Mrs B's favour) with a proposal for redress but no confirmed calculation. He therefore wondered if this service operated a ruse to enable businesses to mitigate or hide costs behind convoluted calculations. To Mr and Mrs B, the calculation was simple – an overall £2,012.33 which was deducted from their investment pot as interest charges (the original £1,543.27 plus three further charges of £469.06) was not able to benefit from the same annualised growth as the remaining investment funds. Therefore, they should be compensated for that loss.

Mr B asked for the complaint to be referred to an ombudsman.

Barclays had no further comments to make.

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'd like to thank the parties for their patience whilst this matter has awaited referral to an ombudsman. I also want to send my best wishes to Mr B and Mrs B at what I understand to be a difficult time for them.

Having looked at everything before me, I also believe this complaint should be upheld on the same basis as has been put forward by our investigator.

I am pleased to note that Barclays has agreed to uphold the complaint at the earliest opportunity after the matter was referred to this service. I am therefore not required to reach any findings on the merits of the complaint, as both parties accept and agree it should succeed.

What is disputed is how matters should be put right. I realise Mr B says he is distrustful of Barclays but my role here is to reach a fair and reasonable outcome on the information before me. What that means is where a business has made a mistake and the complainant(s) have lost out as a result, we have the power to put things right. This generally means that we'll tell the business to put the complainant(s) back in the position they'd otherwise be in if they hadn't got things wrong. In financial compensation terms, that might mean awarding a specific amount, or telling the business how to calculate the amount that the complainant(s) should receive.

Applying that to Mr and Mrs B's circumstances isn't as straightforward as returning the overdraft charges incurred for the fees that needed to be paid within the portfolio. Barclays accepts it failed to establish its normal 'Keeping Cash Healthy' protocol and so it did not disinvest funds from Mr and Mrs B's portfolio to cover fees with Utmost as they were due. However, those funds may or may not have benefitted from not being disinvested, outside of noting that they should have otherwise paid the charges – and not any overdraft fees.

Therefore, the proposed redress has to account for the overall picture of placing Mr and Mrs B's portfolio in the position it would be in – but for the mistake. Mr B accepts this, as he has told our investigator that the funds should not have principally lost out on growth for the period that the overdraft charges were payable. To provide a calculation following steps such as those put forward by the investigator is generally a position we take at this service where not all of the figures are expressly known. Instead, we provide a formulaic set of directions for a business to follow in order to calculate redress. This does not preclude Mr and Mrs B from bringing another complaint, should they believe that the calculation has been incorrectly carried out in any way.

Finally, I agree with the proposed compensation of £100 put forward by our investigator to account for distress and inconvenience caused to Mr and Mrs B. As well as putting right any financial losses in a complaint, we also consider the emotional or practical impact of any errors on a complainant. In doing so, we do not fine or punish businesses; as I explained earlier in this decision, the FCA undertakes the role of regulator. It may be helpful for Mr and Mrs B to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service.

In this case, Mr and Mrs B did not identify the issue with the overdraft until after their other complaint arose. And whilst Barclays' inaction created an overdrawn position for the offshore bond, the overall impact of that was limited to a short term period. I believe £100 is in line with the type of awards this service makes for discrete incidences of frustration and trouble caused by an administrative error of this nature.

Putting things right

In assessing what would be fair compensation, I consider that my aim should be to put Mr and Mrs B as close to the position they would probably now be in if they had not been subject to the administrative error from Barclays in respect of the charges which should have been paid to Utmost.

Barclays must therefore pay Mr and Mrs B the amount E which is reached by calculating the sums set out below using the formula $E = (A \text{ less } C) \text{ plus } D$.

To reconfirm:

- (A) Barclays must calculate the amount of interest Utmost charged to Mr and Mrs B (due to Barclays' mistake) for the overdraft from the date of the first charge until it was resolved;
- (B) It must also calculate the charges which caused the overdraft;
- (C) Using the charges at B, Barclays must establish the growth (if any) earned by (B) when those funds remained invested during the period of the overdraft interest being in place and due; and
- (D) Barclays must calculate the amount of growth the funds used to pay the interest at point (a) would've earned had those funds remained invested in Mr and Mrs B's portfolio until settlement – from the date the interest was paid until settlement.

Barclays must then seek to pay any redress balance due from the above calculation into Mr and Mrs B's Utmost bond. If it cannot do so, it must evidence this to Mr and Mrs B and instead pay the redress to them directly.

Aside from the above calculation, Barclays must also pay to Mr and Mrs B £100 for distress and inconvenience caused. I make no other award.

My final decision

I uphold the complaint. My decision is that Barclays Bank Plc should pay the amount calculated as set out above to Mr and Mrs B.

Barclays should provide details of its calculation to Mr and Mrs B in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 9 December 2024.

Jo Storey
Ombudsman