

The complaint

Mr and Mrs W complain that Barclays Bank UK PLC didn't give them clear information about their monthly payments for their offset mortgage. As a result, they made underpayments and their account fell into arrears.

What happened

Mr and Mrs W have had an offset mortgage with Barclays for some years. The mortgage is on a capital repayment basis. Mr and Mrs W also have a mortgage current account (MCA) with, in effect, a secured overdraft facility. The mortgage term was due to expire in September 2024, at which point the balances of both the mortgage and MCA overdraft would be due. In late 2023 Mr and Mrs W's mortgage balance was about £20,000 and their MCA overdraft balance was about £160,000.

In 2023 Mr W told Barclays they were not in a position to repay the MCA by the end of the mortgage term. He was also worried about their monthly payments which had increased to about £1,667. In November 2023 Barclays agreed to extend the term (by about six years) under the Mortgage Charter. This reduced the contractual monthly payment (CMP) for the mortgage and gave Mr and Mrs W more time to repay the MCA overdraft balance.

Barclays wrote to Mr and Mrs W to confirm the term extension. The letter said the new CMP would be about £266. Mr and Mrs W paid this amount in December 2023.

In early 2024 Mr and Mrs W discovered their account was in arrears. Mr W says Barclays couldn't explain what had happened or tell them how much they needed to pay each month to avoid further arrears. Mr W says he thought the issue might relate to the interest on the MCA overdraft, but didn't know how much he'd need to pay to cover this.

I sent a provisional decision to the parties explaining why I intended to uphold this complaint. I said Barclays hadn't been clear in late 2023 about the amount Mr and Mrs W would need to pay each month after changes to the account. And it should have given Mr and Mrs W clear information in early 2024 about how the arrears came about and where they could find information about their monthly payments. I said Barclays should pay £350 compensation (this includes £100 that Barclays had already offered), remove interest on the arrears and, once Mr and Mrs W brought the account up to date, remove any adverse data from their credit files.

Barclays and Mr and Mrs W agreed. Mr W said they'd cleared the arrears. He said they'd take advice regarding the overdraft if they weren't able to repay it within the term.

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 agreed to extend the term of Mr and Mrs W's mortgage for about six years. This took effect in December 2023. The account was also changed from a term reducing to a

payment reducing basis.

Mr and Mrs W's account fell into arrears because the payment they made in December 2023 was not enough to cover the CMP for the mortgage and the accrued interest on the MCA.

Mr and Mrs W don't pay by direct debit, so they need to make the monthly payment themselves. In order to do so, they need to know how much they need to pay.

Mr W said they were told their monthly payment was £266 and this is what they paid. He said they did not receive a letter saying they needed to pay the interest accrued on the MCA in addition to the CMP. Mr W says Barclays failed to explain how the arrears came about or how much they needed to pay to avoid arrears.

So I need to decide whether Barclays did – or didn't – give Mr and Mrs W clear information about the payments they needed to make. And, if not, what it should do to put matters right. I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Information provided in November 2023, before Mr and Mrs W asked for the term extension

I've listened to a recording of Mr W's call with Barclays in November 2023. Mr W said they were not in a position to repay the MCA when the term expired in September 2024. He said their monthly payments were going up and up and it was getting harder to maintain them.

Barclays discussed options, such as Mr and Mrs W looking into re-financing and the possibility of a payment plan nearer to maturity. Barclays said it would look through Mr and Mrs W's accounts and options to see if it could reduce their monthly payments.

Barclays said it would look into whether changing the account from term reducing to payment reducing would reduce Mr and Mrs W's monthly payments. It said it would put this into the system and send confirmation in writing.

Barclays told Mr W about his options under the Mortgage Charter and said he could apply for a term extension online. Barclays said this would extend the mortgage term, which would mean that the MCA overdraft balance would also be due at the end of the extended term. Mr W said this would reduce his mortgage payments and give him surplus money to use towards reducing the MCA. He said he'd look into applying for the term extension online. It seems he went ahead with this.

Information about the payment due after the term extension took effect

Barclays sent a letter to Mr and Mrs W confirming the mortgage term extension and saying their new CMP would be £266. This did not include the interest for the MCA, which is a separate account.

The letter didn't state that Mr and Mrs W would need to pay interest on the MCA. This seems to have been at the root of Mr and Mrs W's confusion about the amount they needed to pay.

The monthly statement Barclays sent to Mr and Mrs W on 1 December 2023 sets out the payment due in December 2023 under the heading "*Your mortgage payment*". This says "*Your next monthly payment will be £1,020*". This was the total amount due, being the CMP of £266 plus the accrued interest on the MCA of £755.

Did Barclays explain how the arrears came about?

Barclays told Mr W in early January 2024 that the account was in arrears. It said interest (of about £755) was charged on the MCA balance in December 2023. Mr W spoke to several people at Barclays in early January 2024 about the arrears. There was a lot of confusion on these calls about what the problem was and how the arrears came about.

Barclays says it didn't explain to Mr W in November 2023 how the switch to a payment reduction basis would affect payments when there's a negative offset balance. In summary, interest accrued on the MCA would have to be paid each month. Previously, when Mr and Mrs W's account was on a term reducing basis, unpaid interest was added to the capital balance. This was explained in Barclays final response letter issued in February 2024. Barclays said Mr and Mrs W could revert to a term reducing basis if they preferred.

As I said, there was a lot of confusion on these calls. Barclays put forward reasons for the arrears which were not right. Barclays should have been able to explain clearly and consistently how the arrears came about. It should have told Mr W that his monthly mortgage statements set out the amount of the next monthly payment. In fairness though, I also need to take into account that Mr W didn't always allow Barclays to finish its explanation of what had happened. I think Barclays asked questions to try to understand Mr W's concerns.

During these calls, Mr W said he didn't understand how the arrears came about as he'd paid the CMP. He also said he assumed the additional amounts were interest on the MCA. Mr W said they hadn't been told in writing that they had to make payments to the MCA, or how much. Mr W also said their monthly payments before December 2023 had covered the MCA interest. Mr W said they couldn't afford to pay the additional amount to cover the MCA interest. Mr W said interest should be frozen or reduced. He said they wouldn't be able to repay the MCA balance if they had to pay interest.

I think, having listened to these calls, that Mr W did understand that the arrears amount was interest on the MCA. His main concern seems to be that Barclays didn't send written confirmation of the amount they needed to pay. This is set out in the monthly statements. It would have been helpful if Barclays had told Mr W this.

Did Barclays explain what Mr and Mrs W would need to pay, to avoid further arrears?

Mr W says he had no way of knowing how much they needed to pay each month to avoid falling into arrears. He said Barclays didn't make this clear, and this is a breach of law and regulation. And he shouldn't be expected to calculate the monthly payment.

On balance, I think Mr W knew the arrears related to the interest on the MCA. Barclays told him the amount of the arrears. Mr and Mrs W could have cleared the arrears in January 2024 if they wanted (and were able) to do so.

As I said, Mr and Mrs W's monthly statement sets out the next monthly payment (which is the total of the CMP for the mortgage and the interest accrued on the MCA overdraft) under the heading "*Your mortgage payment*". It would have been helpful if Barclays had directed Mr W to this during the calls in January 2024.

The letter cancelling the MCA overdraft in February 2024

In February 2024 Barclays wrote to Mr and Mrs W saying it was cancelling the MCA and demanding they pay the balance (about £157,000) in full. This was because the overdraft had exceeded the overdraft limit.

This must have been upsetting for Mr and Mrs W. When they raised it with Barclays it told

them the MCA has not been cancelled. Barclays told us the MCA has not been cancelled. In the circumstances, I don't think it's necessary or reasonable to require Barclays to provide further confirmation that the MCA wasn't cancelled in February 2024.

Mr and Mrs W should note that contractually the MCA overdraft is repayable on demand. The MCA overdraft balance will be due for repayment when the mortgage term expires. And Barclays is entitled to apply interest in the meantime, in accordance with the account terms and conditions.

What errors did Barclays make – and how did this affect Mr and Mrs W?

First, I think Barclays failed to explain how the term extension and switch to a payment reducing basis would affect Mr and Mrs W's monthly payments, given that they had a negative offset balance. However, based on the available evidence, I don't think Mr and Mrs W would have acted differently if Barclays had explained this better in November 2023.

Mr W told Barclays they couldn't afford to repay the MCA when the mortgage term expired in September 2024 and were worried about maintaining monthly payments in the meantime. Prior to the changes Mr and Mrs W were paying £1,667 each month. After the changes their total monthly payment (for the mortgage account and the MCA interest) reduced to £1,020. The extension gave Mr and Mrs W more time to repay the mortgage balance and MCA overdraft. Mr W said the lower payments would allow them to reduce the MCA balance.

Barclays offered Mr and Mrs W the option of switching back to a term reducing basis. However, adding interest to the MCA balance each month would increase the balance. This might be why Mr and Mrs W didn't choose to switch back to a term reducing basis.

Mr W said they can't repay the MCA if interest is being applied. But interest would be applied to the MCA regardless of whether it was on a term reducing or payment reducing basis, and regardless of the extension to the mortgage term.

Taking all this into account, I think Mr and Mrs W would still have chosen to make the changes to the account if they'd been given better information.

Second, Barclays should have given Mr W a clear and consistent explanation in early 2024 about how the arrears came about and where in his monthly mortgage statement he could find the amount of the next monthly payment.

I don't think Barclays' failure to do so makes it fair and reasonable to require it to write off Mr and Mrs W's arrears or freeze interest on the MCA.

Barclays applied interest to the mortgage balance and the MCA overdraft balance. This wasn't an error. Mr and Mrs W agreed to pay interest when they borrowed the money. There's nothing to suggest the interest wasn't calculated and applied correctly and in accordance with the account terms and conditions. The arrears came about because Mr and Mrs W's payments were not enough to cover the interest that had accrued.

I think Barclays gave Mr and Mrs W enough information for them to clear their arrears in January 2024, if they wanted to do so.

If Mr and Mrs W wanted to ensure they paid enough to cover the interest accrued on the MCA they could have called Barclays or checked their monthly statements.

Mr and Mrs W said they were confused about the arrears and what they needed to pay. Barclays could have explained this better in early 2024. I think Barclays has some

responsibility for Mr and Mrs W's account falling into arrears and the matter not being corrected as quickly as ought to have been the case.

I think it's right that Barclays pays compensation for the upset caused, removes adverse data from Mr and Mrs W's credit files and refunds interest applied to the arrears.

However, I think it's reasonable for Barclays to expect Mr and Mrs W to pay the arrears and make future payments in accordance with the terms and conditions of their accounts. I don't think it's fair to require Barclays to waive interest on the arrears indefinitely, or refrain from recording arrears on Mr and Mrs W's credit files if they are unable (or unwilling) to clear the arrears and maintain their monthly payments.

Mr W says they've paid the arrears. However, if that's not the case for any reason and they can't afford to repay the arrears or maintain their monthly payments, Mr and Mrs W should contact Barclays to discuss an affordable repayment plan or what other options might be available.

Mr W says Barclays is in breach of legislation (because it didn't make the payments clear) and this means he doesn't have to pay the arrears. I've explained why I don't think it's fair and reasonable in the circumstances to require Barclays to write off the arrears. Ultimately though only a court can decide if a contract is enforceable. If Mr and Mrs W don't accept my decision they'll be free to raise these matters in court if they want to do so.

Mr W says Barclays recorded incorrect information on his credit file in mid-2024. As this wasn't part of the complaint raised with Barclays and brought to us in March 2024 I can't fairly look into it here. Mr W should first raise his concerns with Barclays.

Putting things right

In the circumstances I think it's fair and reasonable to require Barclays to:

- pay £350 in total (including any amounts already paid or offered) for the upset and inconvenience caused by it failing to provide clear information.
- remove interest applied to the arrears from the date the arrears came about (due to the underpayment in December 2023) to the earlier of (a) 30 days after Mr and Mrs W accept my decision (if they do) and (b) the date Mr and Mrs W clear their arrears. It should rework their accounts accordingly.
- provided that Mr and Mrs W clear the arrears within 30 days of the date they accept my decision (if they do), remove any late or missed payments or arrears data recorded on Mr and Mrs W's credit files between December 2023 and the date of my decision. This would not prevent Barclays recording data on Mr and Mrs W's credit files in future.

My final decision

My decision is that I uphold this decision and order Barclays Bank UK PLC to pay the compensation and take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 4 November 2024.

Ruth Stevenson

Ombudsman