

The complaint

Mr E complains about the way Barclays Bank UK PLC has managed his mortgage current account, and his requests for support.

What happened

Mr E took his mortgage out with Barclays (trading as Woolwich at the time) in 2007. He borrowed £278,500 on a repayment basis over 25 years. The mortgage came with a tied Mortgage Current Account (MCA) which had a Mortgage Reserve which essentially acts as a secured overdraft facility. The mortgage was taken out on a variable rate that would track Barclays' base rate with a margin of 0.18% for the term of the mortgage. Any balance owed under the Mortgage Reserve on the MCA has attracted interest at Barclays' standard variable rate (SVR).

Mr E says he made use of the Mortgage Reserve facility in 2013 when extending his home, and has more recently used it to help pay towards his children's school fees. Whilst Mr E has said he was generally happy with the product for some time, since interest rates have increased in recent years, he's felt it no longer provides fair value.

In 2021 Mr E contacted Barclays to ask about switching the interest rate on his MCA. It told him that it didn't offer any other rates on the MCA, but it could look at consolidating the debt and doing a re-mortgage on a different rate. However, Mr E decided not to go ahead at that time.

Mr E had built up an overpayment balance on his mortgage account, and in April 2023 he asked Barclays to treat those overpayments as a part redemption to reduce the balance and the contractual monthly payment. Barclays agreed and reduced the mortgage balance by £32,952.44.

In June 2023 Mr E called Barclays again to ask what his options were in relation to the interest charged on the MCA as he was conscious the balance was escalating. He had a detailed conversation with a mortgage adviser about his circumstances and the potential options. They discussed taking additional mortgage borrowing to repay the outstanding balance on the MCA, as well as to provide Mr E with additional funds to help with his cashflow in the coming years, in particular his children's school fees.

After checking Mr E's income and expenditure, the adviser concluded that it wouldn't be affordable for him to consolidate the MCA balance alone, even if the term was extended to the maximum it could allow under its lending criteria. But the adviser said it would refer the application to senior underwriters for review as it would be putting structure around the MCA being repaid and potentially putting Mr E in a better position. The senior underwriters agreed to consider the application on the basis that Mr E could evidence the monthly payments as they would be were affordable for a period of three months. Mr E said he was hoping Barclays would be more flexible and asked it to instead consider extending the overdraft facility on a lower interest rate. Barclays said it wouldn't be able to do that and referred Mr E to its customer home assistance team. Mr E discussed his circumstances with them, but as

he said he was not in any financial difficulties and could afford his monthly payments it said there was nothing it could do to help.

Mr E complained. Barclays didn't uphold the complaint. It said its customer home assistance team remained available should Mr E want to contact them. It also recommended Mr E explore alternative financial strategies and seek independent advice.

Mr E brought his complaint to our service. In summary he said that he'd been looking for support from Barclays, and flexibility with re-mortgaging in line with the Government's mortgage guidance in order to deal with the rapidly growing overdraft balance and compounded interest. He felt that given the amount of interest he'd paid over the years, and that he was trying to be proactive in resolving this issue, Barclays had not treated his requests fairly and reasonably. He also felt strongly that Barclays should be offering proactive support to all mortgage customers with these MCAs as they were likely experiencing similar problems. He was unhappy with the volume of letters he'd received recently from Barclays containing conflicting information about his mortgage account, the MCA, and overdue balances. He was also unhappy with some elements of the customer service he'd received during his interactions. He proposed the following way forward:

- Barclays cap interest with immediate effect. And allow a three month interest free period whilst moving customers to a better product. Preferably reverting the mortgage to the balance as it was in 2023 when he discussed his circumstances with Barclays.
- Barclays provide the best product to re-mortgage both the mortgage balance and the MCA overdraft balance.
- Barclays apply affordability checks with sensitivity applying the Government's recent mortgage guidance.
- Barclays avoid credit score changes for those up to date with mortgage payments.
- Waive any fees associated with the above as a gesture of goodwill.

One of our Investigators looked into things. During the course of her investigation, it became apparent Mr E also had some concerns about how his overpayments had been applied to his mortgage account. Having considered everything, the Investigator was satisfied that Barclays had treated Mr E's requests for support fairly. But she did think some of the customer service and letters Mr E had received had caused some distress and inconvenience. She said Barclays should pay Mr E £250.

Both parties disagreed, and so as no agreement could be reached, the complaint was passed to me to issue a decision.

My provisional decision

I issued a provisional decision which said the following.

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

Firstly, I want to acknowledge that it's clear Mr E feels very strongly about this complaint and the wider issue of how the MCA, and the way it operates as a product, is affecting customers. Mr E has sent our service a great deal of information, evidence, and testimony and whilst I've only summarised the events above, I want to assure him I've read and considered everything he's told us during the course of this complaint investigation.

Before I set out my findings, I think it would be helpful to explain that our remit as a service is to resolve individual disputes informally. Mr E has raised a lot of general concerns about the MCA, the value it offers, and the impact all customers are likely facing as a result. I will not be commenting on those concerns. Whilst I have considered what Mr E has said as relevant context, I will only be determining how Barclays has treated Mr E specifically in relation to his own mortgage and MCA.

I'm also conscious that since Mr E has brought this complaint to us, he has had further interactions with Barclays involving his credit card and another re-mortgage application. As these events have happened more recently and since both Barclays and our service initially investigated his complaint, I will not be commenting on those issues in this decision. If Mr E would like to complain about those issues separately, he is welcome to do so.

The MCA balance

Whilst Mr E has provided a lot of helpful background and context to his complaint, I think the crux of his concerns stem from his interactions with Barclays in 2023. He feels generally that as the MCA is no longer providing him with good value, Barclays should demonstrate flexibility in order to prevent the balance from escalating and putting Mr E in a worse position.

I agree with Mr E that he has tried to be proactive and discuss potential solutions with Barclays about how to get the MCA balance under control. And that it's reasonable to expect Barclays to treat him fairly and reasonably based on his individual circumstances. But having considered everything that's happened, I'm satisfied it did that.

The MCA is a product that Barclays no longer offers. The only interest rate available on the MCA is the SVR. Barclays doesn't offer any other interest rate products on those accounts to any of its customers. That is a commercial decision it is entitled to make. As Mr E is aware, Barclays can look at forbearance options that might help borrowers if they're experiencing financial difficulties and struggling with their payments. But Mr E has made it clear that doesn't apply to him. Given that there were no other interest rate products available to Mr E at the times he enquired about this with Barclays in 2021 and 2023, I don't think Barclays acted unfairly when it declined to reduce the interest rate charged on the MCA.

Mr E has referenced the guidance that was introduced by the government in recent years to help mortgage borrowers impacted by the rising cost of living. In particular, he believes that Barclays should be acting on the guidance around offering rate switches to borrowers who are up to date with mortgage payments without completing any affordability checks. But that guidance only applies in situations when the lender has other interest rates available that the borrower is eligible for. That isn't the case here for Mr E's MCA.

The guidance would apply to Mr E's main mortgage account, for which Barclays does have other interest rate products available. So I'll now go on to consider whether Barclays could have done more than it did to try and resolve Mr E's concerns about his increasing debt more widely.

When Mr E discussed things with Barclays in 2021, it offered to look at a re-mortgage to consolidate his MCA balance and his mortgage balance so that he could take a new interest rate on the borrowing. But Mr E declined to go ahead at the time. I understand he now regrets that decision.

In 2023 when Mr E approached Barclays for help, he had a detailed conversation with an adviser. I've listened to a recording of that conversation. Mr E made it clear that he had previously used the MCA as and when needed and had a plan to clear the balance which unfortunately hadn't materialised. He explained he wasn't experiencing financial difficulties, but he did like the flexibility of the MCA reserve as it helped him with his cashflow. He was clear that he felt this need was temporary and that he expected to be able to make substantial repayments towards the overall debt in a couple of years and well ahead of the mortgage term expiry in nine years' time. The adviser explained what Barclays could potentially do – including completing a total re-mortgage for all the outstanding debt, or just arranging additional borrowing to repay the MCA overdraft (and potentially borrow more on top) which would allow Mr E to access a different interest rate product and make repayments towards the debt which he wasn't currently doing.

I'm satisfied Mr E made it clear in that call that he would prefer to keep his mortgage on the interest rate product that he had, as he felt it was a good rate, and he was managing those repayments fine. So the conversation was focused on taking additional borrowing to resolve Mr E's concerns about the MCA balance and the interest he was being charged on that amount.

Unfortunately, based on Mr E's income and expenditure, Barclays determined that changing the structure of the MCA in such a way was unlikely to be affordable for Mr E. But it still referred the application to its senior underwriters to see if a solution could be found. The underwriters were prepared to consider the application if, despite the income and expenditure assessment showing the re-structure was unaffordable, Mr E could evidence he could afford what the monthly payments would be through making those payments to his accounts. I think that was fair and reasonable, and took account of the fact that Mr E was an existing mortgage customer and was trying to improve his overall financial position by re-structuring his debt with Barclays. I don't think it would have been fair of Barclays to agree to make changes to the mortgage that Mr E wouldn't be able to afford.

I've also considered whether the recent Government guidance meant Barclays should have set aside its concerns about affordability here as Mr E says it should have. But I don't agree. The guidance that says lenders should consider applications to switch interest rate products without completing affordability checks applies where no material changes are being made to the mortgage. In Mr E's case, the change that was being requested was to essentially switch a significant balance (which was close to £170,000 at the time) that didn't require any regular payments, to a repayment basis that would require regular monthly payments. I don't think it would have been in Mr E's best interests to agree to that change without first checking those additional monthly payments would be affordable for him. Barclays was prepared to set aside the outcome of the affordability check if Mr E could demonstrate the repayments were affordable for him in practice. But Mr E didn't want to do that.

Mr E says that after Barclays reached that outcome, it should have re-visited whether consolidating the total outstanding balance, including both the mortgage account and MCA, would have been affordable. The call that Mr E had with the adviser initially ended with Barclays considering Mr E's application for additional borrowing and a referral to the senior underwriters. The adviser had taken account of Mr E's needs and preferences and that was the option that Mr E had wanted to explore. So I don't think Barclays needed to do anything more in that particular call to address alternatives.

After Barclays considered Mr E's request and declined it unless he could evidence it was affordable, further emails were exchanged between Mr E and the adviser. The adviser referenced Mr E's primary concern being about the overdraft balance and the interest being charged, and suggested he speak to the customer home assistance team to see if they could do anything to help with that. Mr E maintained that he would like Barclays to act flexibly and consider extending the overdraft limit on a lower interest rate, which Barclays said it was unable to do. I'm not persuaded Barclays should have revisited the previous option of a complete re-mortgage that Mr E had discounted in earlier interactions at this point. Mr E had made his preferences clear, and if those had changed since discovering that Barclays could not provide what he wanted, then he had the option of discussing that application with them at that point. He did not do so. Instead, he persisted that Barclays should extend the overdraft facility and lower the rate, and then complained. Having considered the phone conversation and the follow up emails the adviser had with Mr E, I'm satisfied the adviser took account of Mr E's circumstances appropriately and acted on the information he was given.

Overall, I'm satisfied Barclays has treated Mr E fairly in regards to his requests to make changes to his MCA. I note Mr E has also referenced the introduction of the regulator's Consumer Duty. The Consumer Duty only applied to products and services considered as 'closed products' from 31 July 2024. The MCA is not a product Barclays offers anymore and so I'm satisfied it would be considered a 'closed product'. The regulator has made clear that the obligations set out under the Duty do not apply retrospectively. Therefore, I'm satisfied the Duty is not a relevant consideration when looking at how Barclays treated Mr E before this complaint was made, and before 31 July 2024. So I won't comment on this any further.

Overpayments

Whilst it didn't form part of Mr E's original complaint, he's since raised concerns about how the overpayments have been applied to his mortgage account. Barclays has said the overpayments had been applied correctly and Mr E received the benefit of them as soon as they were made.

Having looked at the transaction history and the interest applied to the account, I'm satisfied Barclays has passed on the benefits to Mr E of the overpayments as and when they were made. Interest has only been charged on the total amount outstanding, which was reduced when the overpayments were applied to the account. Whilst the contractual monthly payment didn't change once the overpayments were made, the interest charged did. So whilst Mr E was maintaining his contractual monthly payments, the capital was reducing faster which would in turn mean the balance would be repaid more quickly. Saving Mr E interest in the long term. When Mr E contacted Barclays and asked it to reduce the contractual monthly payment to account for the overpayments he'd made, it did so.

I understand that Mr E feels he would have benefitted from the overpayments being applied to the MCA, as that balance was attracting more interest than his mortgage account. But Mr E chose to pay those overpayments into his mortgage account, so I'm not persuaded Barclays acted unfairly by reducing the mortgage balance instead of the MCA balance.

Customer service

Mr E feels strongly that he has been let down by the service Barclays has provided him. He's raised concerns about how he was passed from team to team with no one

being able to help him, and also about how his complaint was dealt with, and the fact that the complaint handler didn't attempt to arrange a time to contact him before calling. Having considered everything that's happened, I'm not persuaded Barclays has provided poor service here. Whilst I appreciate Mr E's frustrations at having to speak to different departments about his requests, I'm satisfied Barclays was trying to do what it could to ensure it was providing appropriate support to Mr E in his circumstances. When the adviser wasn't able to provide the additional borrowing Mr E wanted, it referred him to the home assistance team to see if they could help with his concerns about the interest rate. I think that was appropriate.

I've also seen evidence that the complaint handler that dealt with Mr E's complaint did email Mr E to try and arrange a call before the final response was issued. I understand Mr E didn't receive that email, but I'm not persuaded that's a result of anything Barclays did wrong. There was no obligation for it to speak with Mr E before the final response letter was sent, and it did in fact try to call him on more than one occasion.

However, I have seen copies of several letters Mr E received in early 2024 about his mortgage account and MCA. Those letters contained conflicting information about his balance, his MCA Reserve limit, and told him his mortgage account had an overdue payment when that wasn't the case. Whilst Barclays did later clarify the correct position, I'm satisfied those letters were confusing and caused Mr E concern and distress.

Putting things right

Whilst I'm satisfied that Barclays has treated Mr E fairly and reasonably in relation to his requests to change the MCA, I do think it sent him confusing letters containing conflicting information and that caused Mr E distress. As a result, I'm currently persuaded it should pay Mr E £150 to put that right."

I invited both parties to make any further comments before I issued my final decision.

Barclays accepted my provisional decision. Mr E didn't. He sent a detailed response, which I've summarised below.

- The MCA was used prudently and had value when Mr E needed to use the funds. Since it has become a burden, Mr E has been proactive and reasonably expected Barclays would be able to help.
- During the phone call of July 2023, the Barclays adviser should have provided more appropriate advice.
- If the complaints process had been handled more effectively, a solution could have been achieved much sooner.

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.

Having done so, including taking account of Mr E's most recent submissions, I remain satisfied that the outcome reached in my provisional decision is a fair and reasonable way to put things right.

Whilst Mr E has provided a detailed response to my provisional decision which sets out why he feels Barclays should do more, he has not provided any new information or evidence that

changes my reasoning or conclusions. He has also directly quoted and responded to parts of the Investigator's views that were sent before I issued my provisional decision. I want to reassure Mr E that my review of this complaint was independent of that carried out by the Investigator, and so I won't address those points that have since been superseded by the reasoning I set out in my provisional decision.

Mr E feels very strongly that the Barclays' adviser he spoke to in July 2023 should have done more to help him. I've explained in my provisional decision that I was satisfied the adviser handled Mr E's call in a way that was fair and reasonable based on the information presented to him at the time. I had listened to the call recording myself before I made that decision. Whilst Mr E disagrees, he hasn't said anything that changes my mind about how I think that call was handled. I also remain satisfied that Barclays dealt with Mr E's complaint in a reasonable way.

Mr E has said he would appreciate Barclays offering a workable solution that will lower his MCA debt going forward. That is something he is entitled to discuss with Barclays himself directly, but for the reasons I explained in my provisional decision, I won't be instructing Barclays to make any changes to the MCA or the mortgage balance to resolve this complaint.

Putting things right

As I set out in my provisional decision, Barclays did provide Mr E with conflicting information in some of the letters it sent him. As a result, I remain satisfied it should pay Mr E £150 for the distress and inconvenience that caused.

My final decision

I uphold this complaint in part, and instruct Barclays Bank UK PLC to pay Mr E £150 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 March 2025.

Kathryn Billings
Ombudsman