

The complaint

Mr and Mrs D complain that Barclays Bank UK PLC made “unauthorised transactions” on their mortgage by reducing the interest only balance and increasing the repayment balance.

What happened

Mr and Mrs D have a mortgage with Barclays. The mortgage is part interest only and part repayment.

Mr and Mrs D were making regular overpayments to the mortgage. The overpayments were used to reduce the balance of the repayment mortgage. But in September 2021, Barclays used the accrued overpayment balance of £8,140 to reduce the interest only balance – and therefore the repayment balance increased by the same amount. In August 2022, Barclays again used the accrued overpayment balance of £3,075.11 to reduce the interest only balance – and the repayment balance increased by the same amount.

Mr and Mrs D complain that they did not authorise Barclays to make the transactions on their mortgage. They believed they have lost out as the overall cost of their mortgage will be higher than it would had Barclays not made the changes to their mortgage it did. They said that the way Barclays has handled things has caused them stress and anxiety. They said it didn't respond to their letters and emails, and has failed to provide the clarification they want, including a breakdown of how much extra they have been charged, a refund of the extra cost and compensation for the distress and inconvenience they've suffered as a result of this matter.

The investigator initially said that Barclays should rework Mr and Mrs D's mortgage as if the overpayments were applied to the repayment balance, refund any overpayment and pay 8% interest on any overpayments. He thought the £450 Barclays had already paid as compensation for any distress and inconvenience was fair.

Both sides initially accepted the investigator's recommendation. But the complaint was reopened when Mr and Mrs D were reluctant to accept Barclays' calculations. They did not believe that Barclays had provided full details of its calculations to enable them to have the figures checked.

The investigator looked at everything again. He said the explanation provided by Barclays was sufficient. He said Mr and Mrs D would be better off if the overpayments remained on the interest only part of the mortgage. Mr and Mrs D asked for the case to be referred to an ombudsman.

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 am satisfied that the breakdown provided by Barclays is sufficient to show how the overpayments being allocated to the interest only or repayment parts of the mortgage affects

the balance of the mortgage and how much interest Mr and Mrs D would have to pay. I can see no reason why it would be required to provide a breakdown in a different format or provide any more detail than it already has. Mr and Mrs D have not put forward any persuasive evidence to show that the calculations were wrong.

Based on the evidence available to me, I do not consider that I have any evidence that Mr and Mrs D have suffered any financial loss because of the way that Barclays administered their mortgage. They appear to be better off by having the overpayments applied to the interest only part of their mortgage than the repayment part. So I don't see how I could fairly or reasonably tell Barclays to rework the mortgage.

Barclays was obliged to communicate in a way that was clear, fair and not misleading. It should have given Mr and Mrs D information that equipped them to make decisions that were effective, timely and properly informed decisions. It should have been straightforward for Barclays to look at what happened and explain the correct position to Mr and Mrs D at the outset. It was only after they had complained, referred the complaint to us and we upheld the complaint that Barclays was able to provide a clear answer supported by evidence. It should have done that when they first contacted it/

Nevertheless, when Barclays did provide a suitable response to Mr and Mrs D, they still did not accept it. So it seems likely that they would have pursued their complaint to some extent anyway. That is not to criticise them. Rather it reflects that they would have experienced some distress and inconvenience by pursuing this complaint in any event.

Barclays handling of this matter has been very poor. It should have been straightforward for Mr and Mrs D to receive a clear, fair and not misleading explanation about what happened and that they had not suffered any loss or harm because of the way the mortgage was administered. But after looking at all the circumstances, I agree with the investigator that the £450 already paid is a fair amount to reflect the distress and inconvenience caused by the poor customer service.

My final decision

Barclays Bank UK PLC has already paid Mr and Mrs D £450. I consider that was a fair way to settle the complaint. So I do not consider it needs to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 25 February 2025.

Ken Rose
Ombudsman