

The complaint

Mrs Y's complaint relates to a mortgage current account that was linked to her mortgage with Barclays Bank UK PLC. She considers that the overdraft limit was too high, which means that she is now struggling to repay it. She is unhappy that Barclays has not given her help when she has asked for it.

In settlement of the complaint, Mrs Y would like the debt written off and any negative information that has been reported to credit reference agencies removed.

What happened

Mrs Y took out a £77,000 repayment mortgage with Barclays in 2004. The mortgage had a term of 10 years. Alongside the mortgage a mortgage current account (MCA) was set up. It had what was called a reserve attached to it, which worked as an overdraft. The reserve limit was £9,250. The total borrowing limit, split over the mortgage and MCA, was £86,250.

Each time a payment was made that reduced the mortgage balance by £2,000 or more, the reserve limit on the MCA increased by the same amount, due to what Barclays calls 'rebalancing'. This can be spent by the borrower, through the MCA, but it's not intended 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 reserve, 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 the account 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. However, Mrs Y did use the MCA reserve – she's told us, to extend the property – and so hers operates as an overdraft facility with debit interest accruing on the outstanding balance.

The overdraft 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 remortgage of the property). The MCA operates on an interest-only basis.

In the spring of 2013 Mrs Y contacted Barclays to extend the term of the mortgage to 25 years. The affordability of the borrowing, including the MCA reserve limit, was assessed and it was confirmed as being affordable based on Mrs Y's income and expenditure. At that time the mortgage balance was less than £3,000 and the MCA limit was almost £84,000.

In November 2014 Barclays wrote to Mrs Y about the mortgage reserve limit. It proposed to reduce the borrowing limit to £16,800. However, Mrs Y asked it to keep the limit at £83,980. Barclays reminded Mrs Y that she had to pay it off at the same time as the main mortgage, and that the mortgage payment did not include a payment towards the MCA balance. As the mortgage balance has not decreased by £2,000 or more since, the MCA reserve limit has not changed.

In the spring of 2016, Mrs Y called Barclays to ask what minimum balance she needed to maintain on the mortgage to be able to keep access to the MCA reserve. She was told £1,000.

The following year, after enquiries from Mrs Y, Barclays confirmed that she could use the MCA balance throughout the remaining term of the mortgage, but she had to repay it by maturity. It was up to her how she managed the account to do so. However, if she repaid the mortgage before the end of the term, the MCA balance would need to be paid in full at the same time.

In 2020 Mrs Y spoke to Barclays again as she had received letters telling her that the MCA balance was close to the reserve limit. It had invited her to contact it if she had concerns that she wouldn't be able to deal with the situation. Mrs Y asked Barclays if it would stop charging her interest, to which it said 'no'. It asked if she was in financial difficulties, to which Mrs Y responded that she was not. She also confirmed that she planned on repaying the MCA before the end of the mortgage term.

In 2024 Mrs Y spoke to Barclays about consolidating the MCA balance onto the mortgage. It appears that when Barclays assessed her financial situation it concluded that the new mortgage balance, with the need to make regular capital payments, was not affordable. She was told that despite this determination, the application could be progressed and referred to underwriters to see if they would change the decision. Mrs Y didn't take up this option.

Mrs Y also told Barclays she wanted it to reduce or zero the interest rate as, despite paying £500 toward the balance each month, it wasn't reducing. Barclays said it couldn't do that, but if she was struggling, it could complete an assessment of her finances to see if it could offer her any assistance. As any forbearance options might affect her credit file, Mrs Y declined this option. She complained.

Barclays responded to the complaint in a letter of 29 March 2024. It said that Mrs Y had passed affordability for the MCA reserve limit, so it was not upholding the complaint. It also highlighted that Mrs Y had not needed to use the funds the reserve allowed her and she could have asked for the limit to be reduced at any time before using it. It also said that it had offered support, but Mrs Y had not wanted to complete an income and expenditure exercise. In addition, Barclays said that Mrs Y should have been told the same information about an application being escalated to underwriters as she was in 2024, when she spoke to it about the same issue in 2023. Barclays apologised and paid Mrs Y £100 for that error.

Mrs Y was not happy with the response she received from Barclays and referred the complaint to this Service. When she did, she explained that she believes that Barclays should have offered to have reduced the interest rate or stopped charging it at all, and ceased to apply charges.

We requested details of the 2023 interaction, but Barclays was unable to locate any record of Mrs Y having spoken to it about consolidating the MCA balance in 2023, or any telephone calls in the period she recollected calling. Barclays said that when it had responded to the complaint, it had simply accepted what Mrs Y had told it about events in 2023.

One of our Investigators considered the complaint. He concluded that the complaint about the limit of the MCA reserve didn't fall within our jurisdiction. This was because the limit had been the same since 2014 and Mrs Y had known what it was since that time, and so should have complained earlier if she had been unhappy about that issue. In relation to providing Mrs Y with financial assistance in 2020, he was satisfied that Mrs Y had confirmed that she was not in financial difficulties and indicated that she didn't need help. As for the interactions in 2024, the Investigator concluded that Barclays had offered to look at what help it could

provide her, but she had declined this, and it had signposted her to seek independent financial advice. In relation to the complaint point Barclays had upheld regarding Mrs Y not being told about the possibility of an underwriter review in 2023, the Investigator highlighted that the evidence indicated no conversation took place. The Investigator was satisfied that Barclays had done nothing wrong and didn't need to freeze interest or not apply charges if it was appropriate.

Mrs Y didn't accept the Investigator's conclusions and asked that the complaint be referred to an Ombudsman. She disagreed that her accounts had a rebalancing feature and she believed the MCA reserve limit had always been £83,980, which was far too high. She reiterated her comments about what had happened in 2020 and 2023. She highlighted that as the money was already owed, being told that the borrowing was unaffordable made no sense to her. Mrs Y also didn't accept that she had not called in 2023, saying that if that had been the case Barclays would have said so in the complaint response, rather than upholding the point about her not having been told about escalating an application in 2023.

What I've decided – and why

I issued a decision on 6 February 2025 setting out my conclusions regarding our jurisdiction to consider this complaint. I was satisfied that Mrs Y's complaint about the level of the MCA reserve being too high didn't fall within our jurisdiction. As such, I have only considered Mrs Y's concerns about what happened in 2020 and later.

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

Mrs Y has said that she doesn't think Barclays provided her with help when she asked for it. I have reviewed the records relating to 2020 and 2023 and it doesn't appear that Mrs Y actually asked for help at those times. In 2020, while she wanted a lower interest rate on the MCA reserve, she confirmed that she was not in financial difficulties and would be able to pay the balance off by the end of the term. In the circumstances, I can't find Barclays was wrong not to offer Mrs Y support.

While Mrs Y has maintained that she spoke to Barclays in the autumn of 2023, the records from Barclays don't indicate that was the case. Without any further evidence to support Mrs Y's recollections about this matter, I can't conclude that she spoke to Barclays asking for support and consolidation of the MCA reserve balance onto the mortgage. While Barclays upheld the complaint on the point of her not being told her potential application for consolidation could be escalated to underwriters, it appears it did so based on Mrs Y's recollections, rather than it having checked its records. This is not ideal, but as Barclays has paid compensation in this regard, I can't find that its error has disadvantaged Mrs Y.

When a borrower is in financial difficulties, a lender is expected to look at what it can do to assist them. However, this doesn't simply mean giving the borrower whatever they want. The lender has to satisfy itself that whatever is put in place is affordable and sustainable. Barclays offered in 2024 to look into what it could do to help Mrs Y as it should have. However, she declined to engage in that process. This meant that Barclays couldn't do what it needed to and so could not offer Mrs Y any help. I can't find it was wrong not to do so in the circumstances.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs Y to accept

or reject my decision before 11 March 2025.

Derry Baxter
Ombudsman