

The complaint

Mr H and Mrs H complain that when they paid off their mortgage with Barclays Bank UK PLC before the end of the term, Barclays said they must clear the balance of the Mortgage Current Account too, and marked their credit files when they weren't able to pay right away.

What happened

Whilst this complaint is brought by both Mrs H and Mr H, as the mortgage is in both their names, our dealings have been with Mrs H. So I'll mainly refer to her in this decision.

Mrs H said she and Mr H had taken out their mortgage around twenty years previously. This mortgage is now managed by Barclays. The mortgage came with a flexible borrowing feature, originally called a Reserve Account, but now referred to as a Mortgage Current Account ("MCA").

The term of the mortgage ran until the end of 2029. But Mrs H and Mr H had been making overpayments, and in late 2023, they paid off the mortgage.

Mrs H said she hadn't realised this would mean the debt on their MCA would then become payable immediately. The MCA debt was then a little under £250,000. She said Barclays should have transferred the mortgage payments she and Mr H had been making to this account. But Mrs H's main concern was that, although she'd told Barclays how she and Mr H intended to pay off the balance, and she said Barclays was happy with this, it had placed markers on her and Mr H's credit files, saying the MCA had been unpaid for some months.

Mrs H said these markers then stopped some time before the MCA was cleared, and she didn't understand why that had happened either. But she said by that time, her credit rating had already been badly damaged. She said she and Mr H rely on good credit ratings for their work, and this was having a significant impact on them. She wanted Barclays to remove these markers.

Mrs H also said this had taken up a considerable amount of her time, and caused great distress. So she wanted Barclays to pay compensation for that, and for the extra costs she incurred obtaining other finance elsewhere to clear this debt, which she said amounted to over £10,000. Mrs H also said she'd paid the outstanding balance on 25 July, but it wasn't until late September that Barclays acknowledged the debt had been cleared, and removed its charge from the property.

Barclays said it accepted there had been some instances of poor service in this case, and it paid £400 for that. But it didn't think it had made a mistake which would justify removing the missed payment markers from Mrs H and Mr H's credit files.

Barclays said it had sent Mr H and Mrs H monthly statements which showed that the MCA is a current account with an overdraft facility linked to the mortgage. As the mortgage reduces, the MCA's available borrowing increases. Barclays also said any overpayments made into the mortgage would reduce the term, and that would mean the MCA would also need to be repaid sooner.

Barclays said Mr H or Mrs H could have made separate payments into the MCA if they had wanted to reduce that balance, rather than their mortgage. But that's not what they had been doing, they'd been overpaying on their mortgage, and Barclays said it couldn't just move payments into the MCA without their instruction.

Barclays said every statement it issues says the MCA balance must be repaid upon full repayment of the mortgage. And it said it also wrote to Mr H and Mrs H in July 2023 advising them that if they wanted their mortgage to run for all of its initial term, they needed to contact it to amend their monthly repayment, as the mortgage was close to redeeming.

Barclays said it had told credit reference agencies that Mr H and Mrs H's MCA was overlimit, and in arrears, for the months December 2023 to April 2024. Barclays said it had been writing to Mrs H and Mr H for some time, telling them the MCA was over its limit. And it said Mr H or Mrs H had made some payments directly to the MCA in response to these letters, so they knew that the process to pay into the MCA was different to that of the main mortgage.

Our investigator didn't think this complaint should be upheld. Mrs H wrote to disagree, she still thought the markers on her credit file should be removed. Our investigator didn't change her mind, so this case was then passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I do think that the problems Mrs H and Mr H had with their MCA have arisen because of mistakes made on both sides. My overall conclusion here is that it is not fair and reasonable for the credit files of Mrs H and Mr H to be negatively impacted by what has happened, and I will ask Barclays to remove the missed payment markers it put on the credit files of Mrs H and Mr H for December 2023 to April 2024 inclusive. But I don't think Barclays has to do more than that.

I'll explain why I've reached that conclusion.

The starting point here was that Mrs H told us she'd redeemed this mortgage by accident. She had been making payments to the mortgage, which she said should have been allocated to the MCA. She also said she hadn't realised that clearing the mortgage debt would also trigger full payment of the MCA.

I haven't seen anything to make me think that Barclays wrongly allocated payments made to Mr H and Mrs H's mortgage, or that Mr H or Mrs H asked for payments to be transferred to their MCA before the mortgage was cleared. I've seen that payments have been made to the MCA directly previously, including to reduce the balance below its limit, so I think Mr H and Mrs H ought to have been aware of how to make payments to the MCA. I've also seen that regular statements were issued by Barclays for the MCA, so I think that Mr H and Mrs H ought to have been aware that the debt in the MCA was not reducing as a result of their mortgage overpayments.

I can see that each of the MCA statements Barclays sent did set out that *"This account is secured against your property and any outstanding balance will be required to be repaid when your associated mortgage account is repaid."* Barclays said in addition to this, it wrote to Mrs H on 4 July 2023, to say this mortgage was close to being

redeemed, and if she didn't want to clear the mortgage early, she and Mr H should change their existing payments.

I should say, for the avoidance of doubt, that I'm satisfied the terms of Mr H and Mrs H's mortgage did require repayment of the MCA at the same time as the mortgage was cleared. The offer issued to them in November 2004 said *"The Mortgage Reserve [now called the MCA] must be repaid in full if the main mortgage is repaid in full."*

However, I think that Barclays could have done rather more to alert Mr H and Mrs H to this. Given the scale of the MCA debt in this case, and that Mr H and Mrs H were redeeming their mortgage several years before the end of the term, I think Barclays' communications were particularly important here.

At the time the July 2023 letter was sent, Mr H and Mrs H owed around £250,000 on the MCA. So I think it would have been appropriate for this letter to Mrs H warning of upcoming redemption of the mortgage, to also warn that this would trigger full payment of the MCA.

And if there were likely to be credit file consequences of not paying the MCA off in full, immediately, at the same time as the mortgage was redeemed, then I think those consequences ought to have been set out for Mr H and Mrs H before the mortgage closed too. But this letter didn't alert Mrs H and Mr H to these issues, or to the potential consequences for them of early redemption of their mortgage.

Barclays wrote to Mr H and Mrs H again on 10 January, 5 February and 23 February 2024, saying that the MCA needed to be repaid. The third letter did say Mr H and Mrs H were in breach of their mortgage terms, and all of these letters did include some warning of potential consequences to the credit files of Mr H and Mrs H. I note that neither party appears to have responded to these letters, or to the calls from Barclays which Mr H acknowledged but said he hadn't answered, until Mr H called Barclays on 24 February.

It is notable that on this call Mr H expressed no surprise that the mortgage had been paid and that full payment of the MCA was now due. Rather, he said the original plan was to pay this money off using the proceeds of the remortgage of some commercial property owned by Mr H and Mrs H. They had expected this to be completed already, the process had been delayed, but Mr H said he still thought this would be done within the next 30 days.

Barclays noted this, and asked Mr H to call back in around 30 days. Barclays did say the MCA was then over its limit, and this overlimit position might be affecting Mr H and Mrs H's credit files. It did not, however, warn Mr H that every month the MCA was outstanding, starting from the month when the mortgage was repaid, it was marking their credit files with missed payments. I can also find no clear warning to this effect on any of the letters sent to Mr H and Mrs H. This is quite a stark change to the previous position, where Barclays wasn't even asking for monthly payments to the MCA.

I've noted above that if Barclays was going to mark Mr H and Mrs H's credit files in this way, I think it should have made this clear from the outset. But in my view, it gave Mr H to understand on this call that there was no particular urgency with repayment of the MCA.

I have also listened to a call Mrs H made to Barclays on 6 April. Barclays had written to Mr H and Mrs H to say it rejected their repayment offer, but on the phone Barclays told Mrs H not to worry, things were fine, and again asked Mrs H to contact it in a month's time. Again, Mrs H was not told that her credit file was being marked each month with a

missed payment. The only reference to damage to credit files on this call was, again, mention that the MCA was over its limit.

It then took Mr H and Mrs H some time to put alternative financing options in place. However, after April 2024, Barclays stopped recording missed payment markers on their credit files. No clear explanation has been given for this, or why Barclays thought it was appropriate to mark Mr H and Mrs H's credit files for five months, starting in the same month that the underlying mortgage was paid off, but not for longer than this. Without such an explanation, I cannot rule out that this was simply a mistake by Barclays.

I accept Barclays followed the terms of Mrs H and Mr H's mortgage, in asking for repayment of the MCA when the mortgage was cleared. And I note Barclays had provided some information to Mr H and Mrs H to say the MCA would need to be cleared when the mortgage was repaid. However, it is my view that, especially given the amount of money owed on the MCA, and the credit file impact this debt then had, Barclays' warnings to Mr H and Mrs H on this ought to have been rather clearer, both before and after the mortgage was paid off early.

For those reasons, I will ask Barclays to clear the negative marks from Mr H and Mrs H's credit files from December 2023 to April 2024, inclusive. But, recognising that Barclays has paid £400 in compensation for the service Mr H and Mrs H received, and also because I don't think everything that has gone wrong here is solely the fault of Barclays, I don't think Barclays has to do more than that.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Mrs H replied on behalf of herself and Mr H. She said she understood that the provisional decision would require Barclays to clear their credit files, and on that basis they would like to accept, and would forego any recovery of financial loss.

Barclays also replied, to object. It said that the MCA balance is repayable upon mortgage redemption, but the report it made to credit reference agencies between December 2023 and April 2024 was not as a result of the early redemption of the mortgage. Barclays said it had made these reports because the balance was close to the MCA limit and Mr H and Mrs H weren't covering the monthly debit interest charged, which meant the balance exceeded the limit.

Barclays said that it does tell customers about the interest which will be charged, and the way the MCA needs to be managed was the same after the mortgage was paid off as it was before. Barclays said that it would have made a report to credit reference agencies at any time while the mortgage was in place, if the MCA limit had been exceeded.

Barclays said that also explained why reporting stopped after April 2024. That was because Mr H or Mrs H had credited the MCA account in March and April 2024, bringing the balance below the MCA limit in May 2024. So Barclays said the credit file reporting was factual, and came about because Mr H and Mrs H had exceeded the MCA limit and not covered the debit interest.

Barclays sent our service a spreadsheet, which it said showed that Mr H and Mrs H's MCA was in arrears between December 2023 and April 2024, inclusive, but was also in arrears in April, July and October 2022.

What Barclays has said here is rather different to what Barclays first said to Mr H and Mrs H. When they complained, Barclays said *"The terms and conditions of your mortgage state the outstanding funds on the MCA should be repaid at the same time as the mortgage is repaid. When this does not happen, we have a duty to report arrears to the CRA."*

So when I wrote my provisional decision, I did so on the basis that the explanation Barclays gave to Mr H and Mrs H for these markers in its complaint response letter, was actually the reason for the markers on Mr H and Mrs H's credit file.

Now Barclays is saying that the reason it gave Mr H and Mrs H for these marks, wasn't right after all. It now says it would have made a report to credit reference agencies at any time while the mortgage was in place, if the MCA limit had been exceeded.

The limited information that I have, from Barclays and from Mrs H's credit file, does rather suggest that Barclays' new explanation isn't right either. At best, it can only be an incomplete explanation of what has happened, because there are instances in 2023 when Mr H and Mrs H's MCA was over its limit, but no report was made.

I think that's important here, because it means I cannot say that Mr H and Mrs H would, or should, have expected overlimit markers to appear on their credit files at any point when their MCA wasn't kept under its credit limit.

The marks I can see on Mrs H's credit file reflect payment arrears, not simply that the limit of the account has been exceeded. So between December 2023 and April 2024 Barclays was telling credit reference agencies that Mrs H was behind with her monthly payments, by an amount which increased from one to five months' worth of payments.

What Barclays appears to me to have done, is to report arrears to Mr H and Mrs H's credit files, whenever they were over the limit of their MCA by more than one monthly interest payment.

I note that this position also isn't reflected in the letters that Barclays sent Mr H and Mrs H in early 2024, when it was warning them about the need to make payments to the MCA. A letter of 5 February tells Mr H and Mrs H that they have a total outstanding balance of just over £1,000. However, their MCA was then over its limit by around £4,000.

It also seems to me that this wasn't properly reflected in the calls Mr H and Mrs H had with Barclays. If, in early 2024, Barclays was already recording their MCA as being some months in arrears when it spoke to Mr H and Mrs H, and if it planned to continue to do this until payments were made to bring the account close to its limit, then I think this should have been made very clear to Mr H and Mrs H on their calls with Barclays.

So I still don't think Barclays did all I would expect to alert Mr H and Mrs H to the problems on their MCA, and the impact this would have on their credit files.

I also note that, although Barclays said it couldn't transfer the payments Mr H and Mrs H made to their mortgage to the MCA instead, while the mortgage was open, it does appear as if Barclays then allowed their mortgage to go into credit after it had been redeemed. Barclays hasn't made clear how much time the main mortgage was in credit, whilst it was reporting arrears on the MCA. I can only see that Barclays moved a balance from the mortgage to the

MCA in mid-March, which is when Barclays says that Mr H and Mrs H started to pay to bring the MCA back under its credit limit.

It has been difficult to work out, from the documentation available after the fact, exactly what has happened here. I think it would have been much more difficult at the time, for Mr H and Mrs H to foresee and avoid the problems encountered on this account. In this particular case, I think that makes it fair and reasonable for the resulting markers on Mr H and Mrs H's credit files, to be removed.

So I have considered what Barclays has said here, but in the context of this particular case, and especially what I've seen of the more recent history of this account, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Barclays Bank UK PLC must remove the missed payment markers that it placed on the credit files of Mr H and Mrs H in respect of missed payments to their Mortgage Current Account from December 2023 to April 2024 inclusive.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 4 April 2025.

Esther Absalom-Gough

Ombudsman