

The complaint

Ms W is unhappy that Barclays Bank UK PLC told her in November 2023 that fees incurred in relation to her mortgage a number of years prior were outstanding and needed to be repaid. Ms W was under the impression that the fees had been removed following a complaint she made back in 2016.

She also found out in November 2023 that her contractual monthly payments had only been paying the interest on what was a separate Fees Balance, and not repaying the fees themselves.

What happened

Ms W has a repayment mortgage with Barclays. In 2015/2016 she experienced some financial difficulties and related to this a number of fees and charges were added to her mortgage. These were for a missed direct debit payment, arrears, a field agent visit and solicitor costs relating to legal action that was initiated but didn't proceed.

Ms W complained to Barclays in May 2016 that it hadn't treated her fairly. From the original letter of complaint provided by Ms W it doesn't appear that the complaint included an express concern about the application of fees and charges. However, in its final response letter dated 13 July 2016, Barclays made reference to the fees and charges added, including whether they'd been added to the balance or included within arrears.

Barclays offered Ms W £100 in compensation for some service failings. Ms W didn't accept this and referred the matter to the Financial Ombudsman Service. A case handler wrote to Ms W on 25 October 2016 letting her know that Barclays had said it would like to offer an additional £150 in compensation to settle the complaint. This letter didn't say that any fees or charges would be refunded.

Barclays then wrote to Ms W on 1 November 2016 saying it had received confirmation of her acceptance from the Financial Ombudsman Service and that, in line with the Service's recommendations, Barclays was enclosing a cheque for the additional £150. This letter didn't say that any fees or charges would be refunded.

In November 2023, Barclays wrote to Ms W to let her know that she had an outstanding Fees Balance. The letter said that Ms W's usual monthly payments had been covering the interest charged on those fees, but not repaying them.

Ms W complained to Barclays that she didn't have any knowledge of the fees and that they'd not been present on any of her statements. She said that following the complaint she'd raised in 2016, it had been acknowledged the fees applied at that time had been incorrectly applied and she'd received compensation for this. Ms W said that if the fees were the ones from 2016, they should be removed.

Barclays didn't uphold this complaint. It provided a breakdown of the fees that made up the overall fees balance and said they didn't need to be paid straight away. Barclays added that it was going to include more details about outstanding Fees Balances in future statements.

Ms W remained unhappy and referred her concerns to the Financial Ombudsman Service. An Investigator here issued an assessment on the case. In summary, she said that Ms W had been notified of the relevant fees when they'd been added in 2015 and 2016 and that a complaint about those fees being added did not fall within the jurisdiction of the Financial Ombudsman Service, because the complaint was being raised more than six years after the fees had been applied and more than three years after Ms W ought reasonably to have become aware of the fees and thus cause for complaint.

The Investigator said they could though consider the recent communication from Barclays about the outstanding fees. She said receiving that notification would've come as something of a shock and that Barclays should pay £100 for this.

Barclays agreed with this outcome. Ms W did not. In summary, she re-iterated that, following the complaint in 2016, Barclays had been advised that the charges should be removed.

In terms of the Financial Ombudsman Service considering the fees applied in 2015 and 2016, the Investigator went on to say that we also wouldn't consider the same issue more than once. The Investigator also said that a complaint about the fees not having been removed when Ms W thought they were going to be removed would also be out of time as Ms W ought reasonably to have become aware from the account statements issued in 2016 and 2017 that the fees hadn't been refunded.

After gathering further information, the Investigator also issued an updated view of the merits of the complaint about Barclays' contact in November 2023. In summary, the Investigator said that Barclays had not informed Ms W that the fees applied in 2015 and 2016 were considered a separate balance to the main mortgage balance and that her contractual monthly payments weren't paying off those fees.

The Investigator thought that if Barclays had told Ms W the amount she needed to pay needed to be higher to include the fees balance, she most likely would've paid this. The Investigator said that in addition to the £100 in compensation, Barclays should also restructure the mortgage account as though Ms W's monthly payments had been high enough to pay towards the outstanding fees themselves, and not just the interest on those fees.

Barclays accepted this outcome. Ms W did not. She continued to argue that the original fees should be refunded as she'd been led to believe was going to happen.

As the matter couldn't be resolved, it was passed to me to make a decision.

This decision focuses on the merits of the issues that fall within our jurisdiction. A separate decision has been issued setting out what we can and can't consider.

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, I've reached the same overall outcome as the Investigator and for broadly the same reasons.

The issue that I can consider relates to Barclays notifying Ms W in November 2023 that she had a Fees Balance outstanding and that the contractual monthly payments she'd been making were only covering the interest on that Fees Balance and not paying towards repayment of that balance.

This is an underfunding scenario. Barclays agreed with the Investigator's finding that it didn't make clear enough to Ms W before November 2023, that her account had a separate Fees Balance and that her contractual monthly payments weren't reducing this outstanding Fees Balance. And that if it had made this clear to Ms W, she likely would have paid the additional amount required to be reducing the fees balance as well as the main mortgage balance.

I consider this is fair. I've not been provided with anything to suggest that Ms W hasn't been consistently making her monthly repayments after the issues she had in 2015/2016. Considering this, the amount of the Fees Balance and the term left on her mortgage, I'm satisfied increasing Ms W's payments to cover both the interest and the capital of the Fees Balance each month would not have represented a prohibitive contractual monthly payment.

Bearing this in mind, a fair way to put thing right would be for Barclays to re-work Ms W's mortgage account as though her monthly payments were at the level to have including reducing the Fees Balance and not just paying the interest on it.

I also consider that £100 is fair to reflect the unnecessary surprise and worry caused to Ms W from the November 2023 correspondence letting her know that there was a separate Fees Balance and that her monthly payments hadn't been paying towards this.

I appreciate that Ms W thinks the compensation figure should be higher, but I find that much of her frustration and worry stems from having thought that certain charges from 2015 and 2016 would be removed that she says she later realised hadn't been removed. As explained in a separate decision, I cannot consider that part of her complaint.

Bearing this in mind, I find that £100 compensation is fair to reflect the impact of Barclays' correspondence in November 2023.

Putting things right

Barclays should adjust the outstanding Fees Balance as though Ms W had been making monthly payments at a level to reduce the Fees Balance and not just cover the interest on it. From when this began (i.e. from when Ms W was first paying only the interest on a separate Fees Balance) to the date of calculation.

Barclays must confirm to Ms W what this had done to the Fees Balance (i.e. how much it has reduced by) and provide her with calculations to show the workings, if she asks to see this.

Barclays must also let Ms W know what her contractual monthly payment needs to change to moving forwards, to ensure the remaining fees balance is repaid in line with the main mortgage balance, by the end of the term of the mortgage.

Barclays must also pay Ms W £100 in compensation to reflect what's happened.

My final decision

My final decision is that I uphold the part of Ms W's complaint that I can consider and direct Barclays Bank UK PLC to do what I've set out above under 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 23 April 2025.

Ben Brewer

Ombudsman