

The complaint

Mr L complains that Barclays Bank UK PLC has unreasonably declined his request for it to refund interest after he mistakenly made regular payments to a mortgage current account, rather than the intended mortgage account.

What happened

Mr L took a Barclays (though branded in the name of a different provider) mortgage in 2004. The mortgage was for £122,000 but included a reserve facility of £15,500. It was set up on an interest only basis with a term of 20 years. Mr L took further advances in the form of 'reserve drawdowns' in 2008 and 2012. Each further advance was given its own mortgage account number.

In March 2012 the mortgage was rebranded to Barclays and Barclays wrote to Mr L outlining the changes to the mortgage. One of the changes confirmed was the addition of a mortgage current account. As part of the change, Mr L's reserve facility was removed but he was given the option to apply for a new one which could have been accessed via the mortgage current account.

As the mortgage approached the end of its term Barclays started to write to Mr L, specifically about his plans for repayment. Those letters were sent five years from the scheduled end of term and then two years from the scheduled end of term.

Mr L says, in June 2024, he started making daily payments of £35 to an account he thought was his mortgage. However, it transpired that account was his mortgage current account. He says he'd built up an amount of £2,345 before he received a statement from Barclays in July, showing that he'd transferred the money to the mortgage current account. He also says the account showed on his mobile banking app as "*the mortgage account*" and that's what led him to move the money to the wrong account. So, he complained to Barclays.

Mr L says his intention was to pay the daily amount of interest accruing on his mortgage account with a small additional amount to reduce the capital owed. So, he'd like the mortgage account to be reworked as if he made the payments to the correct account.

In its final response letter dated 24 September 2024, Barclays said it could not find any record of Mr L instructing it to apply the payments in question to his mortgage, so it wouldn't compensate him for any lost interest.

Dissatisfied with Barclay's response, Mr L asked us to consider his complaint. Our investigator thought Mr L had made a genuine mistake and asked Barclays if it would make an offer to him to resolve his complaint as a gesture of goodwill. Barclays initially indicated its willingness to do so. But it found that Mr L hadn't used all the money he'd accumulated in the mortgage current account to reduce his mortgage after he became aware of the error. And, as that didn't clearly indicate Mr L's intention was to make his daily payments to his mortgage, it declined to make him a goodwill offer.

As Barclays declined to make a goodwill offer, our investigator proceeded to consider whether Barclays was responsible for the error and whether Barclays should have identified the error sooner. He concluded that Barclays wasn't at fault so didn't uphold Mr L's complaint.

Mr L didn't agree. He said Barclays created a bogus account and named it "*mortgage account*" leading him to pay money into it thinking he was making payments to his mortgage. And Barclays ignored his instruction to pay the funds into his mortgage.

As Mr L didn't agree with our investigator, his complaint has been passed to me for a decision.

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.

To decide Mr L's complaint, I've thought about whether Barclays was responsible for Mr L transferring money to an account other than his mortgage account. And I've thought about whether Barclays should have identified that Mr L's intention was for the money to be paid to his mortgage.

Like our investigator, I think it's relatively clear what Mr L's intentions were when making the payments. So, I do understand his frustration that his plans were unsuccessful, irrespective of the action he took immediately after finding out the payments had gone to the wrong account. However, to uphold Mr L's complaint, I need to be persuaded that Barclays made the error. In this case, that means I need to ask; was Barclays' communication around the mortgage current account clear and not misleading? So, I've considered whether Barclays made Mr L aware that he had a mortgage current account and whether it appeared in a way that Mr L could identify it in Barclays' interactions with Mr L – the banking app, online banking, or statements it sent to him.

As mentioned above, when Barclays wrote to Mr L on 2 March 2012 about the rebranding of his mortgage, it outlined the changes made as a result. One of those changes was the addition of the mortgage current account. The letter explained that the account came with a chequebook and debit card. It said it would be linked to the mortgage and can be used as a normal current account, but that it allowed for the setting up and use of a mortgage reserve facility. The letter also said further information about the mortgage current account would follow.

I've not seen whether Barclays sent Mr L the further information it promised in its letter but I've no reason to believe that it didn't. In any event, I think Barclays did make Mr L aware of the mortgage current account in the letter dated 2 March 2012. And – for the sake of completeness rather than because Mr L has said that it did – I don't think the letter suggested that paying money into the mortgage current account was the same as paying it into the mortgage, or that funds held in the mortgage current account would be offset against the mortgage.

Mr L has told us that he used Barclays' mobile banking app to make the payments in question. And he says the banking app showed the mortgage current account simply as "*Mortgage Acc't*," but it's changed that since to "*Mortgage current account*." Barclays says the mortgage current account was always shown as that on its mobile banking app.

I've not been able to see exactly what Mr L saw when he transferred the payments in question to the mortgage current account. However, when Mr L originally complained to Barclays about this matter, on 18 August 2024, he said:

"Since June I have been moving thirty five pounds each day into an account that this company titled "Mortgage Current Account"."

I think it's unlikely that Barclays would have shown two distinctly different account types – the mortgage and the mortgage current account – in the same way, in its app. And, given what Mr L said in his complaint letter to Barclays and what Barclays has said, I'm not persuaded by Mr L's more recent recollections of what he saw. Based on the balance of probabilities, I think Mr L's mortgage current account was always shown in his banking app as *"Mortgage Current Account"* – as he said in his complaint letter to Barclays. That means I don't think the banking app was unclear or misleading. And it means I don't think Barclays was responsible for the error of the payments in question going into the wrong account.

Mr L says Barclays should have known the payments were intended for payment into his mortgage because of the reference he used on each payment – *"Mortgage interest."* Again, I understand his frustration that the references he took the trouble to include didn't result in Barclays identifying the payment as he intended. But the payment reference is not an instruction to a bank to take further action. Instead, it's an indication to the payee of the purpose of the money. I understand that may sound like a subtle distinction, but in making the payment to the mortgage current account, Mr L was both payer and payee. So, in effect, the payment references he added were only messages to himself. I wouldn't expect Barclays to have taken action based on those payment references.

Overall, I do understand that Mr L is frustrated by the failure of his well-intentioned plan. But the evidence available doesn't persuade me that Barclays was responsible for the failure of that plan. So, I don't uphold his complaint.

My final decision

My final decision is I don't uphold Mr L's complaint about Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 May 2025.

Gavin Cook
Ombudsman