

The complaint

Mr W complains Barclays Bank UK plc ('Barclays') can't clearly explain to him how interest was charged on his loan account following a payment holiday.

Mr W would like an explanation and for a refund to be provided if there's been an error.

What happened

Mr W took out a loan with Barclays and agreed to a three-month payment holiday for June, July and August 2020, because of the Covid pandemic. He extended his loan agreement by three months as a result.

In March 2024 Mr W complained to Barclays that it looked like he was being overcharged interest, and he wanted an explanation for this. Despite his ongoing complaint, Mr W paid off his loan in July 2024.

Barclays didn't agree they'd made any error calculating interest, but accepted they could have taken steps to better inform Mr W that he could make overpayments to reduce the interest payable at the end of his agreement. Barclays paid Mr W £150 to recognise this.

Mr W couldn't make sense of Barclays' interest calculations and referred his complaint to the Financial Ombudsman Service.

Our investigator didn't uphold Mr W's complaint, saying Barclays had provided figures to show their calculations. Mr W challenged these with his own calculations and referred to potential discrepancies on his statements. The matter was then passed to me to decide.

My provisional decision

I sought further information from Barclays before issuing my provisional decision, which said:

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

I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

I think it's important to say that the Financial Ombudsman Service isn't an accountancy service and it's not possible for me to ascertain if Barclays' numbers are correct. I've focused on what I consider to be the crux of Mr W's complaint, that Barclays haven't helped him understand what underpins their interest calculations.

I've stated my understanding of what's happened, but this hasn't been without difficulty. The parties will note this is a provisional decision. This means I am expecting the parties to challenge or correct me if they think I've got something wrong.

Having given this matter careful thought, I intend to uphold Mr W's complaint in part. I'm minded to say Barclays haven't communicated clearly with Mr W about how the interest was charged on his loan and should pay Mr W a further £200 to recognise the distress and inconvenience this has caused him. However, I don't intend to ask Barclays to refund any interest to Mr W. I'll explain why.

The figures

In their final response letter Barclays told Mr W that the final payment of £1,639.02 consisted of:

- £428.42 final deferred instalment*
- £360.02 accumulated interest*
- £850.58 accrued interest*

Mr W doesn't take issue with the final instalment, or with £360.02 for accumulated interest. Mr W's concern is that it appears from his statements and his own calculations that £850.58 has been charged twice.

I can see why Mr W thinks this. The £850.58 represents interest charged for the months of June, July, August and September 2020. Mr W said he was always meant to pay interest for these months under the terms of the agreement – so the £850.58 was incorporated in the total interest charge of £8,705.20.

Mr W said that as long as he paid the total amount payable of £25,705.20, he'd have paid the interest for June, July, August and September 2020. Mr W showed he'd paid 60 instalments of £428.42, so had repaid the total amount payable.

Mr W therefore considered it was incorrect – and confusing – for Barclays to ask him to pay the £850.58 again in his final repayment. He pointed out he was charged £850.58 in September 2020, and this had been charged again at the end of the loan.

Mr W said to Barclays he was expecting to pay the original total interest of £8,705.20 plus the accrued interest of £360.02, but nothing more for interest.

In correspondence with the Financial Ombudsman Service Barclays gave slightly different information about the figures. They said they'd charged £636.21 in accrued interest and £574.39 accumulated interest.

I know this has frustrated and confused Mr W even more, although having examined the figures I can see that the £636.21 is the accrued interest for June, July and August 2020 and the interest for September 2020 (£214.37) has been added to the accumulated interest of £360.02 to give £574.39.

Either way, the total interest is £1,210.60 which is £850.58 more than Mr W was expecting.

So, what could Mr W expect to pay?

I've looked through the information I've been given for this account. The terms and conditions said:

"Interest is calculated daily on the amount of the loan still owing."

"If you miss a payment you'll have to pay interest at the agreed rate on the amount overdue."

"If you miss a payment or change your payment date, the amount of the interest you have to pay may increase and be more than shown in the Agreement because you'll have had the

money for longer. Interest is added and becomes payable to us (at) the end of the loan term...”

Mr W was sent a notification from Barclays in August 2020 that said:

“If you have a loan with interest we will have charged interest as normal during your payment holiday. When repayments start, we won’t increase them to cover that additional amount. So there will be a one-off sum to be repaid at the end of the loan, once all your monthly payments are complete, including interest that will have been charged on it as normal.”

I’ve had some difficulty fitting everything together, but it seems to me that Mr W was expected to pay:

- (i) the original interest agreed (£8,705.20), plus*
- (ii) interest on any missed (or rearranged) payments, plus*
- (iii) interest accumulated due to the outstanding capital being higher for longer.*

On that basis I’m minded to say that the cost of the payment holiday to Mr W wasn’t £360.02. I’m inclined to say the cost of the payment holiday was point (ii) plus point (iii) above, which Barclays calculated as £1,210.60.

If my understanding is right, I am not currently persuaded there’s been an error in how Barclays have worked out the interest on Mr W’s loan, so I don’t intend to ask them to refund any interest to Mr W.

Barclays’ communication

I’ve next considered how Barclays engaged with Mr W when he sought help to understand what had happened with the interest on his account.

I’m not minded to say Barclays met their obligation under Principle 7 of the Financial Conduct Authority’s Handbook of rules and guidance (‘FCA Handbook’) to communicate with Mr W “in a way which is clear, fair and not misleading.”

I’m minded to say that Barclays could reasonably have given an additional layer of detail here about how interest was charged, rather than repeating the same figures to Mr W.

Barclays’ final response letter refers to the accrued interest of £850.58 and the accumulated interest of £360.02. But I can’t see there was any specific effort to address Mr W’s assertion that £850.58 had been added to his loan balance in September 2020 and then seemingly charged again at the end.

I’m minded to say that the information provided by Barclays has fuelled Mr W’s misunderstanding that he was only meant to be paying £360.02 over and above the £8,705.20 interest he was originally contracted to pay.

I’m inclined to say it would have helped Mr W if Barclays had given him an explanation for how the interest was calculated. For example: interest as originally agreed + additional interest on the deferred payments + accumulated interest.

To break this down further:

- the interest of £850.58 added in September 2020 was part of the original interest of £8,705.20 – this interest was based on 60 instalments being paid as originally*

planned.

- *When instalments were deferred, this extended the term to 63 months. So these deferred instalments attracted further interest that was payable at the end of the loan.*
- *Mr W's repayments from September 2020 were allocated to clear the original interest of £850.58 first, so he didn't start repaying capital until November 2020. This meant the capital balance was higher than it should have been over a longer period – leading to £360.02 in accumulated interest.*

I consider the Consumer Duty - Principle 12 in the FCA Handbook, which sets a higher standard than Principle 7 – reinforces my provisional view that Mr W hasn't been treated fairly in these circumstances. This requires firms to "act to deliver good outcomes for retail customers" and put customers at the heart of what they do.

In the context of this complaint this means I'd expect Barclays to take steps to support and enable Mr W's understanding of what was happening on his account when he tried to engage with them in March 2024, and I'm not minded to say that's happened here. And even if I didn't consider the higher standards set by Consumer Duty, I'm still minded to say Barclays fell short here in terms of how they engaged with their customer and the information they provided.

Putting things right

There is a general expectation of a level of inconvenience when having to sort something out that feels wrong, but I've come to a provisional view that Barclays' communication caused Mr W far more trouble than I'd expect here, and that Barclays should compensate Mr W.

I acknowledge Barclays paid £150 to Mr W to recognise they could have done better in terms of forewarning Mr W of the final interest payment and his ability to reduce the interest with overpayments. I think this is a separate issue to how Barclays engaged with Mr W regarding his interest calculations and I intend to say that Barclays should pay a further £200 to Mr W.

I'm minded to say this has been a very frustrating matter for Mr W and has been troubling him for quite some time. Mr W candidly accepted the possibility he might be wrong, he's just wanted the answer. He's tried to understand his final payment by compiling his own calculations, examining statements at length and bringing his complaint to the Financial Ombudsman Service. Fortunately Mr W was able to pay the sums due to clear his loan – although I know he was worried about the impact on his credit file if he didn't do this.

In these circumstances I consider £200 is a fair and reasonable sum to reflect Mr W's distress and inconvenience and is in keeping with the Financial Ombudsman Service's approach to awards of this nature. In reaching that sum I've taken into account the points I've set out above, but also that Mr W hasn't pointed to this matter having a serious impact on his wellbeing.

Further complaint

Finally, Mr W has said to this service that if it turns out that his payment holiday cost him £1,210.60 then he has questions about the fairness of this. I think this is a separate complaint to the one I am presently concerned with, so it's not something I've addressed. If Mr W raises this complaint with Barclays and isn't satisfied with the outcome, this may be something the Financial Ombudsman Service can consider in the future."

Responses to my provisional decision

Barclays accepted my provisional findings.

Mr W expressed concern that he'd taken the payment holiday in good faith that Barclays would assist him during the pandemic.

Mr W wasn't happy that during my investigation Barclays had given different figures than they had originally provided to him. Mr W said the statements of account provided by Barclays showed where the payments were allocated so he questioned why Barclays could now say something different had happened.

Mr W was also concerned that I hadn't addressed why Barclays had failed to explain things properly to him first time round. He thought £200 was insulting for the amount of time and effort it had taken to get information from Barclays.

What I have 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.

Following my investigation, and having considered the additional points made by Mr W, I am not persuaded to depart from my provisional findings. I maintain that Barclays should pay an additional £200 to Mr W to fairly resolve his complaint. I'll explain why.

I acknowledge Mr W is unhappy with my investigation. However I think it's important to say that my approach is proportionate to the aims of the Financial Ombudsman Service which is to provide a relatively informal and quick resolution to a complaint, depending on what I consider to be a fair and reasonable outcome in the circumstances.

I highlighted Barclays' presentation of the figures in my provisional decision because I didn't think their communication with Mr W had been as clear as I'd expect. However I identified that the overall figure for Mr W's final payment was the same and the apparent discrepancy was how Barclays had split that figure into the types of interest – so these weren't new figures. I thought the way the figures were described to Mr W could have, and should have, been better. I maintain this is the case.

Mr W's statements show a running balance of the loan on the right hand side and this is made up of capital and the interest charged to the loan so far. It starts at £17,000 and rises and falls as the months go on. However I don't think the running balance shows how payments have been allocated, only that they've come off the total amount owed.

I'm satisfied Mr W's payments were allocated to pay off interest first, before capital. By this, I mean the original interest Mr W was always going to pay for the months affected by the payment holiday. This level of detail isn't shown on Mr W's statements but I have seen data from Barclays to support that this is what happened.

Notably, Mr W's payments from September 2020 onwards weren't allocated towards paying off the interest on the deferred instalments or the accumulated interest of £360.02 as these sums were only payable at the end of the agreement.

I think this is evidenced in the statements because the running balance shows there was £1,638.79 left to pay at the end of the agreement (there was a 23p adjustment to interest, making the final payment £1,639.02). I'm satisfied this figure adds up to the final instalment, the extra interest on deferred payments, and accumulated interest.

I acknowledge Mr W wants to know *why* Barclays couldn't give him a clear answer about the interest. I don't think I am the right person to address the reasons for this. Compliance with the FCA's rules and guidance is something Barclays will keep under review as ultimately they have to justify their practices to the FCA, as the regulator. Under the rules the Financial Ombudsman Service follows, my role is to identify whether unfairness has arisen in the circumstances of each complaint, and to look to put things right as far as is reasonably practicable.

I realise how frustrating this matter has been for Mr W but I can't make awards of compensation to fine or punish a business when they get things wrong. I have to look at the impact of what's happened on Mr W when determining an appropriate level of compensation. I've given this more thought, but I'm not persuaded to increase the level of compensation I proposed in my provisional decision.

I say this because Mr W hasn't pointed to any significant health concerns that were caused or exacerbated by this complaint. He's said he may be wrong about the interest, he just wanted an answer to justify Barclays' figures. Mr W hasn't pointed to any financial impact from having to pay the final instalment. And although Mr W's lamented how long it's taken to get information from Barclays, he's not indicated any urgent need for it. For example, if he was relying on getting a refund to alleviate financial difficulty. I've therefore come to view that this was more a case of deep frustration for Mr W, than acute distress.

I accept this matter has been inconvenient for Mr W as he's contacted Barclays several times and has had to bring a complaint to our service to get more information. I've considered that a certain level of frustration and minor annoyance is expected when sorting things out, but that level has been surpassed here.

The Financial Ombudsman Service follows guidelines for compensation for awards of this nature and I am of the view that a further £200 fairly reflects Mr W's distress and inconvenience in these circumstances and is in line with our approach.

For the reasons I've set out here and in my provisional decision, I've decided to uphold Mr W's complaint in part and require Barclays to compensate Mr W with a further £200.

Putting things right

Barclays Bank UK Plc should pay Mr W a further £200 for his distress and inconvenience (as £150 was already paid to Mr W, his compensation is £350 in total).

My final decision

For the reasons I've outlined, I uphold this complaint and require Barclays Bank UK Plc to put things right as I have set out above.

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

Clare Burgess-Cade
Ombudsman