

The complaint

Ms H complains that Barclays Bank UK PLC made errors which resulted in her mortgage being repaid earlier than expected. This meant the overdraft balance on her linked current account became due before she was in a position to repay it. Ms H asks that Barclays pays further compensation for the distress its errors caused.

What happened

Ms H had a mortgage with Barclays. She had a current account linked to the mortgage, referred to as a mortgage current account or MCA. Ms H could borrow via the mortgage current account – in effect a secured overdraft. This had to be repaid when the mortgage was redeemed.

Ms H made overpayments to the mortgage account, including an overpayment of about £14,000 in May 2023. She told Barclays she wanted to reduce her monthly payments, so that the mortgage wouldn't be repaid early. Ms H didn't want to repay the mortgage until she was in a position to repay the overdraft.

Barclays made an error. When it re-calculated Ms H's monthly payments it didn't take into account a prepayment on her account. As a result, Ms H's mortgage was repaid in July 2024 and the mortgage current account overdraft (about £11,500) became immediately due.

Ms H says this caused her considerable distress and financial hardship. She says Barclays told her she had to repay the mortgage within 24 hours, threatened bailiffs, told her to remortgage, and said she had to repay the mortgage before she could leave the branch. Ms H says she had to borrow money from family to repay the overdraft, and then take on extra work to repay them. The additional work and stress affected her health and exacerbated an existing health condition.

Barclays accepts it made errors and paid compensation of £2,500 for the distress caused. It waived the mortgage exit fee and wrote off the balances on the mortgage account and current account (about £80 and £425, respectively).

Our investigator said while Barclays made errors, the compensation paid was fair and reasonable for the significant impact this had on Ms H.

Ms H didn't agree and asked that an ombudsman re-consider the complaint.

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.

We provide an informal dispute resolution service. I'm not required to set out every event or respond to each point raised by the parties. What I must do is explain my reasons for reaching my decision about what's fair and reasonable in the circumstances.

After making the overpayment in mid-2023 Ms H wanted her monthly mortgage payments

reduced so that the mortgage term was not reduced. She says she wanted to be able to repay the overdraft as and when she had funds available. Ms H says she asked Barclays numerous times to reduce her monthly payments further, as she didn't think the amount was correct.

Barclays accepts that it made errors. Its calculations didn't take a £3,000 prepayment into account. Ms H's monthly payments were not sufficiently reduced, and her mortgage was repaid earlier than she'd expected. When the mortgage was repaid, the MCA overdraft (about £11,500) became due. Ms H was not in a position to repay it.

Ms H said the magnitude of what might have happened hasn't been considered – for instance if she hadn't been able to borrow from her family. I can't fairly ask Barclays to compensate Ms H for events that didn't happen. What I need to consider is what did happen and how this affected Ms H.

Ms H received an illustrative redemption statement in late July 2024 saying she owed about £12,000. I can understand that receiving this letter was upsetting. Ms H called Barclays and visited her branch.

Ms H says she was told she had to repay the debt within 24 hours or she'd have bailiffs visit and a bad credit against her name. She says she was told she'd have to re-mortgage or agree a payment plan at an interest rate over 8%. Ms H says Barclays told her she couldn't leave the branch until she repaid the overdraft, or it would take legal action and she'd need to seek advice from a solicitor and financial adviser. She says she had to push for a 30-day grace period which Barclays reluctantly agreed. Ms H says when she called Barclays from the branch she was screamed at. Ms H says she felt battered by the visit to the branch and left in tears.

There isn't a recording available of Ms H's discussions with Barclays while at the branch. But I have listened to recordings of other calls between Ms H and Barclays around this time. This includes the calls Ms H made to Barclays after receiving the illustrative redemption statement. Ms H called Barclays and explained that she hadn't expected to be in this position and wasn't able to repay the overdraft immediately. She said she was looking for a plan to repay the overdraft.

Barclays told Ms H it would be able to help her. It said a payment plan was an option. It said this would be based on Ms H's monthly disposable income, which would mean her providing income and expenditure information. Barclays said the interest rate for the overdraft would be different to the mortgage rate and was approximately 8.4%. Barclays offered to go through an income and expenditure assessment on the call, which Ms H declined saying she would shop around for a better interest rate. Barclays said Ms H should look around and said it would put a 30-day hold on the account while she looked into her options. It said she should pay the interest and call again before the end of the 30-day hold to discuss what she'd decided and what options it could help her with. Ms H said she'd speak to her financial adviser and intended to repay the overdraft to avoid having to pay the high interest rate. Barclays confirmed the 30-day hold was in place to 30 August 2024.

As I said, there's no recording available of Ms H's discussions with Barclays while she was at the branch. And, while we asked Barclays for recordings of all of the calls from this period, it's possible there were calls that I haven't been able to listen to. I'm sorry that Ms H found her discussions with Barclays upsetting. Barclays says it has to inform customers about the potential consequences if the overdraft isn't repaid. It says it asks customers to look into other options (such as remortgaging) before agreeing a payment plan as this can have a negative effect on their credit file.

I don't think Barclays was threatening or treated Ms H unfairly on the calls I've listened to. Barclays said it would be able to help Ms H and put a 30-day hold on recovery action to allow her time to look into her options. I can understand though that these discussions were difficult and upsetting for Ms H, especially as she hadn't expected to be in this position.

Ms H repaid the overdraft in early August 2024. She borrowed money from family, which she'll have to repay.

Ms H said Barclays hadn't taken responsibility for its error in mid-2023 and its failure to calculate her mortgage payments correctly. Ms H says she was entitled to have the mortgage exit fee waived, given she was only in this position due to Barclays' errors. She says she was given different figures for the amount owed and Barclays gave her the mortgage account number instead of the MCA number when she repaid the overdraft. Ms H says the £430 and £80 that Barclays refunded weren't owed, as she says she'd overpaid. Ms H says Barclays added charges after she repaid the mortgage and overdraft. Ms H says she immediately used the £2,500 compensation towards repaying her family, and this isn't enough for the distress caused and the effect this had on her.

Barclays' final response letter says it made an error in May 2023 and with Ms H's monthly payments after this. It upheld Ms H's complaint about this. Barclays also upheld Ms H's complaint on the balance of probabilities that its staff lacked empathy when explaining the consequences of not repaying the overdraft immediately. I think Barclays did take responsibility for its errors. What I have to consider is whether it's done enough to put matters right – that is, if the steps taken and compensation paid are fair and reasonable in the circumstances.

Barclays waived the mortgage exit fee, cleared the outstanding balances on the mortgage account and MCA overdraft and closed the accounts. If any charges were added after Ms H repaid the mortgage and overdraft they've been written off. If Barclays gave Ms H details for the wrong account or an incorrect figure for the amount owed it has also put this right.

Barclays said in its final response that it acknowledged the impact of its error on Ms H's health and financial situation. It apologised for the stress this caused. It paid £2,500 for the distress caused.

When considering if this compensation is fair, I've taken into account what Ms H has told us about the distress this caused and how it affected her health, and that she's taken on extra work to repay her family, despite the effect on her health.

Ms H told us how worried she was about Barclays taking action to recover the debt or having to re-mortgage. While this is understandable, I must fairly take into account that as soon as Ms H contacted Barclays it put a 30 day hold on the account, so that she had time to look into her options. On the calls I listened to, Barclays told Ms H that it would be able to help her, if she didn't have other options to repay the overdraft. It's not clear whether Ms H did discuss her options with her financial adviser. But Ms H was able (with help from her family) to repay the overdraft in early August 2024, only a short time after receiving the letter about it being due. The worry Ms H had about Barclays taking recovery action was limited to this short period.

Ms H didn't want to re-mortgage to repay the MCA overdraft – she'd been making overpayments with the aim of being mortgage free. But this was a possible option she could have explored if she didn't want to borrow from family, or hadn't been able to do so. Although it somewhat depends on the terms offered, taking out a new mortgage might not have left her in a very different position as compared to the Barclays mortgage and MCA overdraft remaining in place.

I don't think it's fair and reasonable to require Barclays to refund the £11,500 so that Ms H can repay her family. Ms H isn't out of pocket, in the sense that she owed the money that was repaid. If Ms H is struggling with the extra work needed to fund repayments to her family, she could consider taking independent financial advice about her options.

There's no dispute that Barclays made errors and that this had a significant impact on Ms H. I think it's right that Barclays took steps to put matters right. Taking everything into account, I think the steps taken and compensation paid by Barclays is fair and reasonable in the circumstances.

My final decision

My decision is that I do not uphold this complaint. That's because I think the steps taken and compensation paid by Barclays Bank UK PLC are fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 15 July 2025.

Ruth Stevenson
Ombudsman