

## **The complaint**

Mr J complains about the way Barclays Bank UK PLC has managed his offset mortgage. He doesn't think it is fair that his monthly mortgage payments fluctuate slightly and believes that they shouldn't because the borrowing balance is fully offset by the savings balance.

## **What happened**

Mr J has an offset mortgage with Barclays – a mortgage with a linked savings account where the balance of the savings account is taken into account when calculating interest on the borrowing. The capital offsets the borrowing such that mortgage interest is charged on the net position rather than the outstanding balance in lieu of interest being paid on the savings account.

Mr J has a balance in his savings account that has matched or exceeded the balance of the mortgage. In those circumstances, he says that no mortgage interest should be chargeable because it is fully offset. He complains that his monthly mortgage payments have fluctuated and increased at times and doesn't think this should be happening. He believes that his mortgage balance should just be divided by the number of months left on his mortgage – and that should be what he needs to pay each month.

Mr J complained to Barclays about this and also that he was given incorrect information about having an overpayment on his mortgage. Barclays offered Mr J £200 for the incorrect information given to him about the overpayment – but they said that the offset mortgage was calculated as it should be so didn't uphold that part of the complaint.

As Mr J disagreed, he brought the complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. The investigator agreed that the offset mortgage was calculated as it should be so he didn't uphold the complaint.

Mr J disagreed and said he was treated very poorly during his engagement with Barclays regarding this issue. He said he would like a full review of the telephone conversations including a review of the finer details outlined in his complaint. Mr J said he also wanted us to review the contact notes which were added to his complaint by one of the advisers at Barclays.

As Mr J disagreed, he asked for the complaint to be reviewed by an Ombudsman, so it's been passed to me to decide.

## **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.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Having done all that, I don't think this complaint should be upheld. I realise this will be disappointing for Mr J. But I hope the reasons I have set out below will help him to understand why I have come to this conclusion.

Mr J's contractual monthly payment is made up of capital and interest payments due to it being a repayment mortgage. His mortgage is fully offset as Mr J has enough savings to cover the monthly interest due which means that the payments made towards the mortgage, go towards his capital balance which decreases over time. As Mr J has a repayment and payment reducing offset mortgage, the capital balance will reduce over time, as does the level of offset benefit.

Barclays calculates interest on a daily basis. However, it calculates the monthly mortgage payment on the basis of 30.4 days or 1/12 of a year. This means (unless the balance or interest rate changes) the same monthly payment is due each month, even though the number of days in calendar months varies. However, this also means that there is sometimes a mismatch between the interest earned on the balance in the offset account and the mortgage payment that is due, despite the customer's savings being the same as or exceeding the mortgage balance.

This is set out in Barclays' "Offset Mortgages Guide", which says that where the mortgage is 100% offset:

"In theory it would mean you pay no interest on your mortgage and receive no interest on your savings. In reality there would be slight anomalies. The monthly mortgage payment is calculated as 1/12<sup>th</sup> of the annual interest plus any capital repayment due (i.e. each 'month' is 30.4 days) whereas the Offset Benefit is based on the actual number of days in the calendar month. For example, the mortgage payment for March would be 30.4 days less the Offset Benefit earned during the 28 days of February and there would, therefore, be a small amount to pay".

This is why it appears that Mr J has had to pay interest in some months but not others and why his monthly payments have fluctuated in the way that they did.

In all the circumstances, given the way Barclays' offset mortgage works – and bearing in mind that the Financial Ombudsman Service isn't an auditing service – I don't find that Mr J has been overcharged.

I understand how Mr J thinks his mortgage payments should be set because the interest side of things do not apply to him, but this isn't quite how it works. His mortgage is operating as it should be and I am satisfied that this is in line with the terms and conditions of the mortgage.

As a final note, Mr J believes he has been treated unfairly by Barclays and had made comments about the different advisers he spoke to on the telephone. I have listened to the telephone calls in question, and I don't find that Mr J was treated unfairly. It was evident on the calls that Mr J had concerns about how his mortgage was being charged but everyone he spoke to, was trying to help him understand how it worked – but Mr J didn't agree with what he was being told.

I have also taken a look at the contact notes that Mr J has asked us to look at which says the following:

*"The customer was seen in branch this morning. The customer is on an offset mortgage, the mortgage is fully offset and the customer is not paying any interest. However, the customers monthly 'capital' repayments have been increasing. See below example:*

*2023/2024*

*Nov 2023 £329.53, Dec 2023 £356.23, Jan 2024 £333.20., Feb 2024 £338.31 and March 2024 £389.15*

*2024/2025*

Nov 2024 £365.08, Dec 2024 £374.93, Jan 2025 £378.21, Feb 2025 £379.13 and March 2025 £431.32

*There have been no changes to the capital borrowed and the term remains the same with no changes. Also there is a concern that the customers monthly repayments should not continue to increase as these have not been budgeted for by the customer.*

*The customer is extremely distressed by the manner in which his queries were dealt with over the phone, as example, the customer was told this could be due to an increase in the base rate or due to the fact the customer has made withdrawals. However, the base rate has actually gone down and the mortgage has been fully offset despite the customer making some withdrawals”.*

Having looked at this contact note, it confirms the concerns that Mr J had about his mortgage and how it was being calculated. It also confirms that Mr J had issues with what he was told on the telephone. Like I said, having listened to the telephone calls while I understand they may have been confusing for Mr J – I do think the advisers he spoke to were trying to help Mr J understand the reasons why his payments were changing.

While I understand his frustration, I can't find that he has been treated unfairly. I do note that he was given incorrect information about an overpayment and Barclays offered to pay him £200 to recognise the incorrect information given. I think this amount is fair and reasonable in the circumstances of this complaint.

I'm therefore satisfied that Barclays provided Mr J a reasonable explanation as to why his monthly repayments increased and why they may continue to do so over the term of the mortgage.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 March 2026.

Maria Drury  
**Ombudsman**