DRN-5953707

The complaint

This complaint's about a Woolwich-branded mortgage Miss W holds with Barclays Bank UK PLC. Miss W is unhappy that Barclays hasn't reduced her monthly instalment in line with recent reductions in interest rates.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Miss W being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, rounding the figures, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Miss W took the mortgage out in 2010; it's an offset mortgage (albeit presently Miss W is not using any savings for offset purposes) and is on an interest rate product that tracks movements in the Bank of England Base Rate (BoEBR) for the lifetime of the mortgage. Towards the end of 2024, Miss W asked Barclays to set the mortgage up so that offset benefits reduced the mortgage term rather than the monthly instalments.

In the spring of 2025, BoEBR fell, prompting a reduction in the interest rate on Miss W's mortgage. However, her monthly instalment didn't go down in line with the rate reduction, prompting Miss W to complain. Barclays rejected the core complaint, saying that with the mortgage set up for term reduction rather than rate reduction, it had done nothing wrong. However, it offered Miss £100 compensation for some related communication problems she'd experienced.

Miss W referred the complaint to us; our Investigator thought Barclays' action was unfair. She agreed that the term reduction setup applied to offset benefits, but didn't agree it should apply to interest rate reductions. She recommended Barclays recalculate the mortgage on the basis that the monthly instalment had fallen, and offer Miss W the option of having the resulting overpayments that she's made refunded. She also recommended an additional £100 compensation, making £200 in all.

Miss W accepted the proposed settlement; Barclays asked for it to be reviewed by an ombudsman.

Whilst we've been looking into it, there have been further reductions in BoEBR. These in turn have prompted further reductions in Miss W's interest rate where again, the monthly instalment hasn't changed in line. Miss W did make separate complaints about these, but they have been merged into this one, as they are about separate incidences of the same issue.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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 set out my conclusions and the reasons for them below. They are, in essence, the same conclusions as those the Investigator reached, and for much the same overall reasons.

I've looked at the terms and conditions of the mortgage. These appear to be silent on when borrowers can choose between term reduction and rate reduction. So there's nothing in the terms and conditions to say Barclays *can* use apply term reduction methodology to reductions in interest rates. Equally, there's nothing to say it *can't* either. This is about communication and expectation.

The subject is covered off in the offset guide, with the title *"How to make the most of your savings with an Offset Mortgage".* This document specifies that borrowers can choose between term reduction and payment reduction for offset benefits but makes no reference to whichever selection a borrower chooses applying also to rate reductions.

Miss W may well have selected term reduction in late 2024, but she did so not realising this would mean her monthly instalments would remain the same if interest rates fell. By making the complaint, Miss W has signalled that this is not what she expected or wanted. So, it's only right that Barclays should allow her the opportunity to have back the extra amount she's paid since the rate reductions began that she didn't expect to be paying. That would, of course, mean her balance would go back up by the amount of the refunded overpayments.

Miss W may also wish to reconsider whether term reduction is her preferred setup option now that she *is* fully aware that it means that her monthly instalment won't go down in line with any future rate reductions that might take place.

Finally, and for completeness, if she chooses to have the overpayments refunded to her, Miss W will be choosing to forego the benefit she has had up to now from not being charged interest on them. So I won't be *awarding* interest on the refunded amounts to reflect that she didn't have the use of those funds whilst they were on the mortgage account.

My final decision

My final decision is that I uphold this complaint. In full and final settlement, I direct Barclays Bank UK PLC to:

- re-work Miss W's mortgage from 1 February 2025 up to the eventual date of settlement to reflect how it would behaved if Miss W's monthly instalment had been reduced in line with each interest rate reduction that has occurred since 1 February 2025;
- offer to refund the resulting accumulated overpayments to Miss W;

- present Miss W with its calculations; and
- pay Ms W £200 compensation for her time, trouble and upset.

In her response to the final decision, Miss W should confirm whether she wishes to have the overpayments refunded or remain on the account.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 15 December 2025.
Jeff Parrington
Ombudsman