

The complaint

Ms H complains that her mortgage with Barclays Bank UK PLC trading as Woolwich is no longer operating as agreed.

What happened

Ms H took out a Barclays mortgage in 2001. It has a flexible credit reserve facility which allows Ms H to make payments into or withdrawals from the reserve. The amount in the reserve facility is offset against the balance interest is chargeable on.

Over time, Ms H began losing confidence that the account was operating as it should be. When attempting to make withdrawals or check the credit reserve balance, Ms H often met resistance from Barclays staff who told her this wasn't a function of the mortgage.

Ms H made a withdrawal from the reserve in early 2024. Following this, she was concerned that her contractual monthly payments (CMP) weren't being recalculated as they were previously when she made payments into or from the credit reserve.

Ms H complained to Barclays. In essence, Barclays said the mortgage was operating as it should be and Ms H would need to request any overpayments be capitalised in order for the CMP to be recalculated. The complaint was referred to our Service.

Our Investigator thought the mortgage wasn't operating in line with the terms and conditions agreed when Ms H took out the mortgage. He thought that Barclays should recalculate the CMP and refund any difference to Ms H. He also thought Barclays should pay Ms H £500 for the trouble she'd been caused by this and for being misinformed by staff about how the mortgage works.

After further discussions with Barclays, our Investigator thought that due to system limitations Barclays would be unable to recalculate the CMP after Ms H made a payment into or out of the reserve. He said although this was not in line with the agreed terms, he didn't think it was unreasonable that Ms H would need to request payments be capitalised to trigger a recalculation of the CMP.

Barclays offered to increase the compensation to £750, provide further training to its staff about how the mortgage operates, and to leave a record on the account to inform staff that withdrawals can be made from the reserve balance.

Ms H didn't agree that it was reasonable for Barclays to act outside the agreed terms, so the complaint was passed to me to decide.

I contacted both Barclays and Ms H to set out my initial conclusions on the complaint. In my correspondence to Ms H, I said:

From what I have seen, the original mortgage offer terms and conditions say:

“We will recalculate the Minimum Payment in the following circumstances:

if the Credit Limit is changed;
if there is a change in the interest rate;
if you make a lump sum Additional Payment of £500 or more in any month;
if you make a Withdrawal;
or in the case of a Repayment Mortgage, if we agree to vary the Term.”

Barclays has confirmed it migrated the mortgage to a new system in 2010. It says since then, the mortgage has continued to operate in the same way.

However, we've received conflicting explanations about how the mortgage operates. Barclays initially suggested a 'workaround' could be put in place where any amount paid into the reserve facility more than three times the CMP, will be applied as a 'part-redemption' and will trigger a recalculation of the CMP. This is reversible and if you wish to withdraw the funds, it will be manually returned to you.

This is the same approach that was explained to you after the system migrated in 2010. I can see from the emails you provided from your complaint in 2010 that Barclays explained the account would operate in the same way with a reversible 'part-redemption'.

I think it's likely the account was operating on this basis for some time.

I've reviewed the account history. I'm satisfied that you have been able to make payments into and out of the reserve, and the CMP appears to have been adjusted in the month that follows you making any payment into the reserve. There have also been changes made when the interest rate varied.

But, from January 2024 the CMP changed from roughly £3 to £326 per month, when there was a withdrawal from the reserve balance bringing it from around £31,000 to around £23,000.

Without auditing the account, this doesn't seem a proportionate adjustment. Barclays has confirmed that when this recalculation took place, the system didn't take account of the pre-payment balance in the reserve, which was held as an overpayment. It said for this to happen, you need to request the reserve balance be capitalised.

I'm not persuaded this is how the account was working previously. I can't see you needed to request the balance be capitalised prior to this, and the CMP was recalculated to take account of the reserve balance. So, I can understand why this has led you to think the mortgage had started operating differently, and the CMP wasn't being adjusted to take into account the reserve balance.

The picture isn't entirely clear here. But regardless, Barclays needs to ensure your mortgage is operating as intended and as set out in your mortgage offer terms and conditions. The intention of the CMP being recalculated following a payment into or out of the reserve facility, is clearly to take account of the balance and adjust the CMP accordingly.

It's not for our Service to determine the internal systems Barclays uses. But if its systems aren't able to recalculate the CMP as outlined in the terms and conditions, then it needs to make manual adjustments to do this.

I'm persuaded that in practice the mortgage had been operating broadly as intended, until 2024 when there appears to have been a change.

Barclays should implement the workaround it suggested, where any payment to the reserve over three times the CMP, or a withdrawal, triggers a recalculation of the CMP. The funds in the reserve should still be accessible to you, and any part-redemption needs to be reversible on your request. I believe this is how the mortgage was operating previously.

Even with this approach, there is still the possibility for a payment into the reserve to not trigger the CMP recalculation, when it should in line with the terms and conditions. According to the terms, any payment over £500 should trigger the recalculation. But it's been operating on the trigger being any payment of more than three times your CMP.

Currently your current CMP is around £260, so you would need to make a payment of around £780 or more to trigger the CMP recalculation. The T&Cs say this should be done at £500. So, while the mortgage appears to have been operating broadly as it should, there could be instances where a payment of over £500 but less than three times your CMP could have been missed. Barclays explained that any payments into the reserve under three times the CMP are treated as an overpayment, which reduces the term rather than the CMP.

Looking at how you've used the account previously, I can see you generally pay much larger amounts in or out of the reserve. And taking account of the reserve balance, your CMP will likely reduce significantly. So, I think it is unlikely the situation will arise in future where payments over £500 are less than three times the CMP.

But it's fair that Barclays operates the mortgage as agreed in the terms and conditions.

So, in order to close any holes here, I will ask Barclays to add a manual workaround to ensure if your CMP is more than £170 per month (roughly £500 divided by three), any payments to the reserve will be reviewed to see if the CMP should be recalculated in line with the terms. But as I've said, hopefully it's unlikely this situation will arise.

In summary, I'm not satisfied that the mortgage is operating in line with the T&Cs, and I'm not persuaded that there wasn't a change in January 2024 when the CMP recalculation didn't take account of the reserve balance.

The issues you've encountered have then been amplified due to misinformation given to you by Barclays staff about how your mortgage operates and whether you can withdraw from the reserve facility – which you can.

Barclays has said this has been caused by a lack of understanding about how this mortgage works as there are very few still active. It agreed to the Investigator's original view about this and said it would implement further training for staff and agreed to pay compensation for the distress you've been caused by the misinformation.

I said that I thought what Barclays had proposed to resolve Ms H's complaint was fair, but I that it should also add a further workaround to ensure the mortgage was operating in line with the terms and conditions. So in all, I was intending to direct Barclays to:

- Provide further staff training and add a note to Ms H's account with instructions.
- Review payments made to the reserve when the CMP is over £170, to ensure the CMP is recalculated when any payments over £500 are made.
- Complete a full recalculation of the account and refund any difference in CMP. The interest saved on the mortgage for this figure could be deducted from the 8% interest

for the time Ms H had been without the funds.

- Ensure the mortgage continued to operate in line with the terms and conditions. Payments over £500 or withdrawals from the reserve would trigger a recalculation of the CMP to take account of the new reserve balance. Withdrawals from this balance could be made on Ms H's request.
- Pay £750 for the distress and inconvenience caused.

I invited Ms H and Barclays to respond with anything else they wanted me to take into account, before I finalised my decision.

Ms H agreed with how I proposed to put things right but added that she had encountered further issues while trying to withdraw from the reserve balance. She said she felt it was unsafe to use the credit reserve facility and, if not for these issues, she would have paid more into the credit reserve to reduce the interest she was paying on her mortgage. Bearing this in mind, she wanted compensation to be increased to £1,000. She also asked for a trial period to ensure there were no further issues going forward.

Barclays agreed that the mortgage was no longer operating as intended. It said there had been an error in setting up the credit reserve when the account was migrated to a new system in 2010, and when remediation was attempted at an unknown later date it has caused a break in the logic on Ms H's account. It said it would be unable to fix the system limitation that means a recalculation of the CMP isn't triggered when payments are made into or from the reserve. It has agreed that it will find a manual workaround to ensure the CMP is recalculated where Ms H makes a payment of over £500 into the credit reserve or withdraws from the reserve as outlined in the terms and conditions.

Barclays agreed to add further detail to the note on Ms H's account to inform staff about how the credit reserve operates. And it agreed to Ms H's request of £1,000 compensation.

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 thought carefully about what both Ms H and Barclays have said in response to my initial conclusions. Having done so, I remain of the same view and general consensus reached by the parties.

There is, at this stage, no dispute over what has gone wrong. The outstanding issue for me to decide is how Barclays ought to put things right.

Barclays needs to ensure Ms H's mortgage is operating in the way it was intended to when it was taken out. It isn't fair or reasonable for Ms H to need to take additional steps to ensure the mortgage functions as it should. Barclays needs to find a manual workaround to ensure the credit reserve facility operates as intended and the CMP is recalculated in line with the terms and conditions. It has agreed to do this.

While I can appreciate Ms H's request for a "trial period", I do not think that is something I need to direct. Should Ms H encounter any further issues, she would need to raise a new complaint so that Barclays has the opportunity to investigate and resolve them. There would be no practical benefit to any trial period I could instruct.

Barclays has agreed to Ms H's request that compensation be increased to £1,000. Given the duration of this issue and the ongoing impact on Ms H I think this is a fair offer from Barclays. And so taking everything into account, I remain satisfied that Barclays has now

agreed to a settlement that fairly resolves Ms H's complaint.

My final decision

I uphold this complaint and direct Barclays Bank UK PLC trading as Woolwich to:

- Provide further staff training and add a detailed note to Ms H's account outlining that there is a credit reserve which withdrawals can be made from, and that overpayments can be made into.
- Manually review any payments made into the reserve when the CMP is over £170, to ensure the CMP is recalculated when any overpayments of more than £500 are made into the reserve. It will need to manually recalculate the CMP if this is not done.
- Complete a full recalculation of the account considering if all overpayments over £500 have resulted in a CMP recalculation, and refund any difference in CMP along with 8% for the time Ms H has been without the funds. The interest saved on the mortgage for any overpaid CMP can be deducted from the 8% interest
- It should provide a copy of the recalculation to Ms H showing each overpayment over £500 and the resulting CMP recalculation.
- Ensure the mortgage continues to operate in line with the T&Cs. Payments over £500 or withdrawals from the reserve will trigger a recalculation of the CMP to take account of the new reserve balance. Withdrawals from this balance can be made on Ms H's request.
- Pay £1,000 directly to Ms H for the distress and inconvenience caused. If Barclays has already paid some or all of this amount it can be deducted from the total amount owed

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 28 April 2026.



Emma Taskas
Ombudsman