

The complaint

Mr and Mrs N complain that they were mis-advised by Barclays Bank UK PLC to reduce their monthly payment so that the mortgage would complete by the end of its term. Having done this, they found out that they owed approximately £6,000 on the mortgage which they were not expecting. They are also unhappy about a delay in the processing of a cheque they sent to Barclays.

Mr and Mrs N would like compensation for what they have been through.

What happened

Mr and Mrs N took out a repayment mortgage with Barclays in 2002. This came with a mortgage current account (MCA). The MCA reserve operated as an overdraft on a current account, but one which was secured to their property as part of the same charge as their main mortgage. The two accounts were treated as linked by Barclays.

In 2021, Mr and Mrs N arranged a face-to-face meeting with someone from Barclays to discuss the outstanding balance and whether it would be paid off before the end of its term.

They said at that time, they owed £470.00 on their mortgage, and they were paying £180 per month so it would be paid off before December 2025. They said they were advised to reduce their payments to £4.80 per month as they were paying too much and it could mean they were charged if their mortgage was repaid early. The balance on the MCA which was linked to their savings account had a reserve of £45,000.

Mrs N said she called Barclays in March 2025, and she was told that the balance on the mortgage was £6,564.17 and that they were paying interest on their offset mortgage. Mrs N didn't think this was correct as she had savings which covered the mortgage balance. She believes that things went wrong after the branch visit in 2021 as their mortgage was fully offset before they spoke to the adviser.

Mr and Mrs N also complained about a cheque they sent to Barclays which was to be deposited into their ISA and they had lost money on it. The cheque was for £20,174.83.

Barclays said that there was a processing delay, and the cheque couldn't be paid into the ISA as Mrs N had reached the maximum allowed to pay into it for that financial year. They said the delay was from 27 May and 10 June 2025. They upheld this part of the complaint and paid £40.63 for lost interest. They also paid £1,091.91 which included £551.28 as a refund for the debit interest charged from the MCA reserve and £500 compensation to apologise for not reviewing the account fully as they should have done.

Barclays said that although Mr and Mrs N had enough in their ISA account to offset the mortgage, they didn't combine that money with the amount owed in the MCA. Barclays said that in order for it to be offset, both the MCA and the mortgage balance needed to be included. So the balance at the time of £10,828.35 wasn't enough.

Mr and Mrs N were not happy with this as they said they now owe approximately £6,000 on the mortgage and have been left with an MCA that they are unable to repay as Mr N is much older. They said had they of been advised properly in 2021, they would not be in this position.

They brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. He didn't uphold the complaint and said the mortgage account was being charged in line with the terms and conditions. He also said the account was never fully offset and the statements sent to Mr and Mrs N showed what interest they were being charged.

Mr and Mrs N didn't agree and asked for the complaint to be reviewed by an Ombudsman, so it's been passed to me to decide.

Developments

I contacted Barclays to explain that I thought that as Mr and Mrs N had the money in their accounts in March 2021 to fully offset the account, that it seemed fair that if they were given the advice to do so at that meeting, it's likely they would have done that.

So I thought that Barclays should refund the mortgage interest for the period between March and October 2021, deducting any savings interest that was paid during this period. I didn't think that the mortgage interest should be refunded beyond October 2021 because Mr and Mrs N had received statements through the post which would have alerted them to the fact that their account wasn't fully offset – so they could then have acted on this at that point. I thought that would be a fair resolution. Barclays agreed to this.

I contacted Mr and Mrs N to explain my thoughts on the case and Mr and Mrs N gave their reasons again as to why they disagreed. They said that they didn't open all of their post and don't think it was unreasonable for Barclays to contact them to let them know the account wasn't being offset. They felt very strongly about this and also that they now owe more money than they would have done had they of been given the right advice in March 2021. They said they would be happy if Barclays covered at least 50% of the balance that they now owe on the mortgage.

I explained my position to Mr and Mrs N again, but they still didn't agree so I said I would think about what they had said, and issue my final decision on the matter.

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 have asked Barclays for evidence of what discussions happened in branch in 2021. Barclays said they don't have any evidence of the exact conversation that took place. They have provided some notes which explained that the mortgage payment needed to be recalculated as the current payment that Mr and Mrs N were paying at the time was too high and could have resulted in the mortgage being repaid too early. This point isn't in dispute.

Barclays have told us that in March 2021, Mr and Mrs N's mortgage was on a term reducing basis which had a balance of £435.80 and an MCA balance of £37,554.82. They said that Mr and Mrs N have an offset mortgage so any funds held in linked accounts against the mortgage would be offset. If Mr and Mrs N's mortgage is not fully offset, any debit interest from the MCA will be applied to the mortgage which would then increase it.

Mr and Mrs N make monthly payments into their mortgage account. Barclays calculates the amount of the monthly payment to ensure the mortgage is repaid by the expiry date which in this case, was December 2025.

However, this is an offset mortgage. So any credit (or debit) balances in Mr and Mrs N's linked accounts affect the amount of interest applied to the mortgage account.

Interest on the MCA is added to the outstanding balance in the mortgage account. Whether this interest is added to the monthly payment depends on whether the mortgage is on a term reducing or payment reducing basis.

The interest rate at the time (in March 2021), was 0.85% but interest rates then increased so the mortgage balance grew because the debit interest applied to the mortgage from the reserve exceeded the monthly payment.

Barclays said that Mrs N's ISA had £10,828.35 but it wasn't enough for it to be fully offset against the mortgage. They said the only way the account could be offset and stop incurring interest was if Mrs N transferred £40,509.01 from her other saver account to her ISA.

It's not clear what happened in the branch meeting in 2021, and Mr and Mrs N feel they were given incorrect advice, and it should have been apparent what they wanted to do. The notes that Barclays have provided do confirm that a discussion was had about reducing the amount that Mr and Mrs N were paying to their mortgage – as they were paying too much and it would have ended before the term.

The dispute here is whether Barclays should have done more in this meeting to ensure that the mortgage was fully offset as Mr and Mrs N believed it to be.

I've explained above how the offset works, but interest rates have increased since 2021 so this would have an impact on the interest based on how it works. The mortgage was also on a tracker which would have had an impact on the interest that was charged. This means the debit interest being applied to the mortgage was higher than the monthly payment – which has resulted in the balance increasing. In this case, the annual statements would have shown that the balance was increasing, and the account was no longer fully offset. They showed how much Mr and Mrs N were paying each month and how much interest is being applied to the mortgage.

Having looked at the mortgage statements that have been sent to Mr and Mrs N over the years, it doesn't appear that the mortgage was fully offset as interest has been added.

Mr and Mrs N have said that they did receive the statements, but they didn't pay any attention to them as they had a lot going on as Mr N had been unwell. They said the monthly statements were being sent electronically which they didn't pay attention to as they find technology a bit difficult and the annual statements remained unopened purely because of other pressing matters that were going on in their lives. They said that they had no reason to doubt that they were not paying their mortgage off based on what they believed had happened in 2021.

While I appreciate that Mr and Mrs N had a lot going on and they believe that Barclays should have notified them and been more proactive in letting them know about this – the statements were sent out to Mr and Mrs N to do exactly that. Statements are sent out to show the status of the mortgage and to confirm what interest is being paid. While I know the reasons why Mr and Mrs N didn't look at their statements, this doesn't mean that Barclays had to do anything further in order to notify them. Had Mr and Mrs N of checked their statements at the time, they would have seen that the interest applied was more than they were paying and could have got in contact with Barclays to discuss the best way forward.

I can't say that Barclays did anything wrong for certain when they spoke to Mr and Mrs N in branch in 2021, but Barclays haven't been able to provide any specific information to show what was discussed.

I think it's possible that they could have done more at the time to inform Mr and Mrs N that their account wasn't fully offset at the time and to give them options to do this – but it doesn't appear that this was done. Barclays did acknowledge this, and they offered them £500 compensation for not fully reviewing the account. I think this is fair and reasonable on the basis that we don't know what was discussed fully at the time.

Interest rates have increased since that time as well and Barclays would have no way of knowing what was going to happen to interest rates and what impact it would have on Mr and Mrs N's account. That is what the statements are for – to notify customers of changes to

their mortgage account including the interest rate they are paying and what impact this is having on the mortgage.

I am aware that Barclays upheld Mr and Mrs N's complaint and credited them with £1,091.91 which includes £551.28 refund of interest charged on the debit interest from MCA and £500 on their failure to fully review the account when Mrs N spoke to them.

Barclays said the interest payment of £551.28 was a refund from 1 April 2021 to 31 July 2025. They said this was the full period during which the debit interest from the MCA reserve was being applied in a way that caused the mortgage balance to increase. I think it's also fair that they refunded this amount too.

Barclays have confirmed that Mrs N was given misinformation regarding her ISA balance and it being enough to offset the mortgage when this was not the case. So, this compensation and refund of interest is to recognise that. I think this is fair and reasonable in the circumstances of this complaint.

But based on what I explained to both parties, I do think that irrespective of not knowing what discussions took place in March 2021, I do think that had the adviser informed Mr and Mrs N that their account wasn't fully offset at the time, I do think they would have wanted to do this.

So I think that Barclays should refund the mortgage interest that would have been paid from March to October 2021 as if the mortgage was fully offset. This will mean deducting any savings interest that would have been paid during this period. I still don't think it's fair to ask Barclays to do this from October 2021 because the statements that Mr and Mrs N had received did make it clear that the mortgage wasn't fully offset so they could have questioned it. I appreciate that Mr and Mrs N said they didn't look at their statements, but this isn't something I can hold Barclays responsible for.

I understand that Mrs N says they now owe a lot more money with no way of paying it back as Mr N is too old and if the adviser gave them right advice, they could have got a mortgage to repay it – which would be nearly paid off by now. While I appreciate how difficult this is, I can't agree that this is down to Barclays. Barclays gave advice in 2021 based on the circumstances at that time. They would have had no way of knowing what was going to happen to interest rates. I can see from the contact notes that have been provided that from 11 June 2025 the mortgage is fully offsetting. And as I've said, Barclays offered a refund of interest and compensation for the fact they didn't review things in the way they should have.

With regards to the cheque, Barclays have explained that the cheque was returned to Mrs N as it was meant for her ISA but she had already reached the ISA allowance for that year. They noted the delay it took them in order to send the cheque back and they paid £40.63 as a gesture of goodwill for the loss of interest on that money. Again, I think this is fair as it has taken into account the time that Mrs N didn't have those funds.

While I know that Mr and Mrs N will be disappointed with my decision, I think the statements they received from October 2021 would have given them a clear picture of what was happening on their account which had they contacted Barclays – could have meant they would not be in the position they are now.

Mr and Mrs N may want to obtain some independent financial advice to see what options may be available to them in order to repay the MCA.

My final decision

For the reasons given above, I uphold this complaint and direct Barclays Bank UK Plc to:

- Refund the interest of £551.28 which was from August 2021 to 31 July 2025 if they haven't already done so.

- Pay Mr and Mrs N £500 for the inconvenience they have been caused – if they haven't already done so.
- Refund the mortgage interest that would have been charged from March to October 2021, deducting any savings interest that may have been paid during this time.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 6 May 2026.

Maria Drury
Ombudsman