

complaint

Mr and Mrs H have complained at the way in which Barclays Bank Plc has administered their mortgage account. In particular they say:

- without notice or consent Barclays used money raised from a third party and paid into their Mortgage Current Account (MCA) to reduce the MCA reserve;
- Barclays failed to process a payment made in January 2014;
- Barclays has failed to treat them fairly or sympathetically and has caused them financial hardship.

The complaint has been conducted throughout by Mr H on behalf of both parties.

background

Mr and Mrs H have a mortgage taken out with Barclays in 2008, when they borrowed approx. £131,000 on a capital and interest repayment basis. As per the mortgage terms and conditions, Mr and Mrs H also opened a MCA, which had an auto-rebalancing reserve limit, which increased as the capital was repaid.

In November 2013 Mr H contacted Barclays and asked for the direct debit to be delayed for that month. Barclays couldn't agree to this but said it would suspend the direct debit instead on the basis that there would be a manual payment in November 2013, with Mr H reactivating the direct debit from December 2013.

No payment was made in November 2013 and Mr H didn't reactivate the direct debit. A manual payment was made for December 2013. Four letters were sent in December 2013 and January 2014 about the arrears.

In late 2013, after Barclays had already declined further borrowing to consolidate other debts, Mr and Mrs H took out a secured loan from another lender, borrowing £50,000. This was secured as a second charge on the property, ranking behind the first mortgage to Barclays.

The £50,000 Mr and Mrs H had borrowed was paid into the MCA in January 2014. In February 2014 Barclays lowered the MCA reserve limit to £33,310 and so retained approx. £17,000 of the funds paid in.

Mr H complained about this. He also said that a payment had been made to the mortgage on 10 January 2014 but Barclays had failed to process it.

Mr H says that, because Barclays reduced the MCA reserve limit, he was unable to use all the secured loan funds to repay other debts, which has made his financial position worse. Mr H also says that Barclays failed to respond to the complaint.

An adjudicator considered Mr H's complaint. She was unable to uphold the complaints about the way in which Barclays had dealt with the arrears and the payment made into the MCA. She could also find no trace of any payment made in January 2014 – only a payment made in February 2014. But she wasn't persuaded that if a payment *had* been made in January it would have had any significant effect on the bank's decision to cap the MCA reserve.

Barclays agreed its response to the complaint had been unsatisfactory and offered £150 compensation for this, which the adjudicator considered reasonable. Mr H disagreed. In summary he says he was given no notice about reduction in the MCA reserve limit and that if the money had been paid into an account other than one with Barclays, it would not have been able to do this and he would not now be in such financial difficulties.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I've reached broadly the same conclusions as the adjudicator, and for largely the same reasons.

It is clear from the letters Barclays was sending throughout 2013 that Mr and Mrs H were having financial difficulties. It seems they had been using their MCA reserve limit to its maximum, and also had significant unsecured debts.

The main point of contention here is that in February 2014 Barclays used a significant proportion of the £50,000 – about £17,000 – paid into the MCA to reduce the MCA reserve limit back to approx. £33,000. But I'm satisfied Barclays was entitled to do this – both under the account terms and conditions and under its general right of set-off. An overdraft is a facility that's repayable on demand, and is not intended to be used as a long-term income stream to fund general living expenses.

Barclays wasn't required to give notice of its intention to do this. And although I do appreciate its actions resulted in Mr and Mrs H being unable to reduce other debts which they are still repaying, their overall net position is the same, because the debt to Barclays has also been reduced out of the money they borrowed.

Mr H says that he wasn't in arrears in January 2014 because he made a manual payment for which he was given a reference number – and so it wasn't right for Barclays to reduce the MCA reserve.

I've checked the records Barclays has provided and I've seen no evidence of a payment made in January 2014. There was a payment made the following month, for which a reference was obtained. Mr H has not been able to produce any evidence – such as his bank statement showing a payment going out in January 2014 –which might suggest that this payment had been mislaid by Barclays.

When Mr H telephoned Barclays on 10 February 2014 to ask why the MCA reserve limit had been reduced, he made no mention at that time of having made a payment in January 2014, such as I would have expected if the payment had been made. Mr H also didn't query why the payment Barclays required was almost £1,400, which I would have expected him to question if, as he says, January's payment had already been made.

All of this leads me to conclude that Mr H is mistaken about having made a payment in January 2014. But I'm not persuaded that the outcome would have been any different even if he had made the payment. The account statements show regular missed payments, as well as unpaid and returned cheques on the MCA. In the circumstances, Barclays was, I find, entitled to adjust the MCA reserve limit, and that it did so in accordance with the account terms and conditions. This means that I'm unable to uphold Mr and Mrs H's complaint.

I agree with the adjudicator that Barclays' handling of the complaint could have been better. It failed to issue a final response letter, but has offered £150 compensation for any trouble and upset caused by this. I think this is fair in all the circumstances.

I do have some sympathy for Mr and Mrs H. They have significant debts which they'd hoped to repay, but at the same time they also had a responsibility to manage their account with Barclays in a prudent manner. The use of the MCA overdraft as a source of income was not an appropriate use of the facility, and so Barclays acted fairly in deciding to reduce it.

If Mr and Mrs H are struggling to meet their obligations, they may want to seek advice from a free debt advisory service such as StepChange or the Money Advice Service. We can provide contact details for those organisations, should Mr and Mrs H request this.

my final decision

My decision is that I do not uphold the complaint about the account administration. I'm satisfied Barclay Bank PLC's offer of £150 for poor complaint-handling is fair and reasonable. I simply leave it to Mr and Mrs H to decide if they want to accept it in full and final settlement of their complaint.

Jan O'Leary
ombudsman