

complaint

Ms J and Mr K's complaint is that Barclays Bank Plc (Barclays) neglected to tell them that when they entered into an arrangement to make interest-only payments on their mortgage, this would have an adverse effect on their credit files. The complaint has been conducted throughout by Ms J on behalf of both herself and Mr K.

background

Ms J and Mr K had a mortgage with Barclays on a capital and interest repayment basis. After they were made redundant, Ms J and Mr K asked Barclays if they could have a payment holiday on the mortgage. Barclays doesn't offer payment holidays, but it agreed instead to allow Ms J and Mr K to make interest-only payments for six months.

Ms J and Mr K acknowledge that they were told the arrangement would show up on their credit reports. But they say they were never told that this would show as a default on the mortgage payments. Ms J and Mr K say this is a gross misrepresentation of the circumstances and that they would never have entered into this arrangement had Barclays told them the true position.

Barclays rejected the complaint. In summary, Barclays says that the mortgage was not transferred onto an interest-only basis – it remained throughout a capital and interest repayment mortgage. So the arrangement to pay resulted in a shortfall on the monthly payments due, which were reported as arrears. Barclays says that it had explained to Ms J on the telephone and to both borrowers in writing that this would be reported as arrears.

The complaint was brought to us where it was considered by one of our adjudicators. When Barclays submitted its file, it offered a payment of £50, even though the bank said it was satisfied it hadn't made any errors.

The adjudicator considered this fair in the circumstances. Overall he was satisfied Barclays hadn't done anything wrong in the way in which it had reported the arrangement to the credit reference agencies.

Ms J and Mr K rejected the adjudicator's findings. In summary, they say Barclays' actions have had devastating consequences for them, both financially and on a personal level. They asked for an ombudsman to review the complaint so it now falls to me to make a final decision on this complaint.

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.

I'm satisfied that Barclays made it clear to Ms J and Mr K that arrears would accrue on the account. Barclays is required to report accurately the position on the account to credit reference agencies. I'm satisfied that Barclays has correctly reported the arrears – because the mortgage account is not an interest-only account. This means that any payment made that is less than the full monthly instalment – even where this is agreed as a concession to the borrowers – will result in the account showing as being in arrears.

I acknowledge Ms J's strength of feeling about this matter. I have no doubt that the events of recent months – redundancy, the personal loss she and Mr K have suffered and their financial difficulties – have been very stressful for them both. I am sorry that the outcome of my review of the complaint is not what they had hoped. But overall I'm not persuaded Barclays has acted wrongly here.

Barclays has offered £50 compensation, as a gesture of goodwill. As I'm satisfied there has been no error by Barclays, I'm not persuaded there should be any other award of compensation nor any amendment to the credit files.

If Ms J and Mr K still believe Barclays has registered incorrect information on their credit files, they will need to refer this to the Information Commissioner, who is responsible for the registration of data in the United Kingdom. But for the reasons given above, I'm not persuaded the registration of arrears is incorrect.

my final decision

My decision is that I do not uphold this complaint. I consider the £50 offered by Barclays Bank Plc as a gesture of goodwill is fair, given that I'm satisfied there has been no error in its registration of arrears on the credit files. I simply leave it to Ms J and Mr K to decide if they wish to accept the £50 in settlement of their complaint.

Jan O'Leary
ombudsman