

complaint

Mr and Mrs M complain that Barclays Bank Plc hasn't acted fairly or reasonably in relation to the current account attached to their mortgage. They want compensation and to agree a repayment plan.

background

Mr and Mrs M took out a flexible mortgage, which had a current account attached. It was possible to borrow more money through the current account, provided the overall debt owed to Barclays didn't exceed the limit.

Mr and Mrs M were concerned that they'd been able to borrow more money without Barclays checking if they could afford to repay the debt, that the debt had mounted up without there being a plan to repay it being in place, and that the interest rate for the current account debt was higher than the interest rate for the mortgage itself. They complained to Barclays.

Barclays said that Mr and Mrs M had spent the money and there didn't need to be a repayment plan or monthly payments of the debt from the current account. It said that they'd chosen only to repay the monthly interest. Barclays also explained that as the mortgage debt reduced, the amount available to spend from the current account increased. The overall limit didn't change, which was why Barclays didn't need to keep carrying out affordability checks as the limit had been set at the start. It pointed out that it had written to ask Mr and Mrs M if they wanted the current account limit capped so it didn't increase as the mortgage reduced, but they didn't respond. Barclays also said that the interest rate was correct for the current account and Mr and Mrs M had been sent regular statements.

Mr and Mrs M complained to us. The adjudicator's view was that the mortgage and the attached current account wasn't mis-sold. Mr and Mrs M had good credit records and the product was affordable in his view. The adjudicator noted that the mortgage offer explained that the current account had also to be taken out to get the mortgage and said as the sale was advised, how the product worked had more likely than not been explained at the time. And he pointed out that regular statements were sent to Mr and Mrs M setting out what had been borrowed and they chose to borrow more money. The adjudicator also said Barclays did cap the limit in 2015.

Mr and Mrs M disagreed. They said the information in the application form about their financial position was incorrect. Mr and Mrs M said the current account wasn't explained to them and Mr M in particular knew nothing about it. They also said that the adjudicator had misunderstood their personal circumstances.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Was the mortgage mis-sold? Given Mr and Mrs M's stated income at the time of sale, the information given in the mortgage offer they accepted, and the information about their financial position at the time, I don't think so. As the overall borrowing limit for both the mortgage and the current account was set at the start (though later reduced in 2015 by Barclays), the time to check whether Mr and Mrs M could afford the product was at the start when Barclays decided whether to lend. I'm satisfied that based on the information available, it was affordable. I appreciate Mr and Mrs M say that the information in the application form was incorrect, but it was their application and they confirmed the information was correct.

And the mortgage product (with the current account) in my view was suitable and met the needs of Mr and Mrs M. I think the difficulty in this case has arisen because over time the information given at the start by Barclays may have been forgotten by Mr and Mrs M. It's clear that as the mortgage balance reduces, the amount available to be spent in the current account increases, and the regular statements show the limit increasing. The mortgage offer summarises how the product works, and it was the choice of Mr and Mrs M to use the current account.

I understand why Mr and Mrs M are worried about how to repay the current account debt. I see the statements were sent to Mrs M alone, but Mr M does live in the same property and is a joint party to the mortgage. He could've contacted Barclays and asked to be sent statements too. Barclays hasn't acted unfairly or unreasonably, and the statements sent to warned that Mr and Mrs M would need to ensure that they could repay the debt. And I note in 2015 Barclays capped the limit of the current account, rather than let it keep increasing, which I think was fair and reasonable in the circumstances.

The interest rate for the current account was set out in statements sent to Mr and Mrs M before they used it. And Barclays is able to charge more for borrowing under the current account, rather than the mortgage, under the terms and conditions of the product. I can't say that this is unfair or unreasonable.

my final decision

My final decision is that I don't uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 15 January 2018.

Claire Sharp
ombudsman