

The complaint

Mr C complains that Barclays Bank UK PLC has treated him unfairly when it failed to action his requests for overpayments correctly.

What happened

Mr C took out a new mortgage with Barclays in September 2022 with a balance of £380,000. He also had an existing mortgage with Barclays already in place at this point.

Mr C wanted to reduce the interest he was paying on his new mortgage and started making overpayments to the account in October 2022. On 6 October 2022, Mr C called Barclays to clarify what he needed to do to make the overpayments in line with the mortgage accounts terms and conditions. He was told overpayments could be made without being classed as a part repayment if the amount paid was less than three times his contractual monthly payment amount. So he could make an overpayment of around £7300 without it being classed as a part redemption.

Part redemptions could be made to Mr C's account, but these are subject to an annual limit of 25% of the mortgage balance. So Mr C could in effect reduce the interest on his mortgage further than this if the payments made were classed as overpayments and not part redemption.

Mr C also asked to set up a new regular overpayment on his new mortgage by increasing the regular monthly payment to £2500. The agent incorrectly set this up for Mr C's existing mortgage and not the new one that he'd asked for. This error was noticed by Mr C and he complained to Barclays. With his complaint, Mr C also complained about overpayments he'd made that had been recorded as part repayment instead of overpayments as he didn't want these to be applied in this way. The result of this was his monthly repayment amount was reduced as it was recalculated based on the balance outstanding which isn't what Mr C wanted.

Barclays amended the over payment applied to the wrong mortgage account in error, applying this to the correct one. It also said it would amend any part repayments made in the last 90 days and apply these overpayments. But it couldn't do this to any payment made as a part repayment before this due to a business rule. And based on how long it took Barclays to provide its response to the complaint, this meant only one of the payments Mr C had asked to be changed could be.

Barclays recognised that its service had not been at the level it expects to provide and that errors had been made. It offered Mr C £450 as compensation for the distress and inconvenience experienced as a result.

Our investigator looked at this complaint and felt the compensation offered for the errors was fair and reasonable. But they didn't think it was fair that Mr C was not able to have the previous payments which had been treated as part repayments, converted to overpayments because of the time that had passed. Mr C had raised his complaint with Barclays well within 90 days and the delay in providing an answer shouldn't be something that disadvantaged

Mr C.

Barclays agreed to make a retrospective adjustment but Mr C didn't think this went far enough. He said as a result of the payments being treated as repayments and not overpayments and with the time the complaint had taken overall to be considered and resolved, the amount he was able to pay as part repayments to the mortgage that year had been reduced and he asked that this amount be added to his annual allowance this year.

Our investigator felt this was a fair request and ask that Barclays increase the amount that Mr C could pay as a part repayment to his mortgage this year. Barclays disagreed and said Mr C had not used the rest of his allowance between 2022 and 2023 as he had made overpayments to the mortgage instead of making part repayments. So it didn't think he'd lost out by not having this available and it hasn't impacted Mr C and what he's paid in interest on the account.

Our investigator's opinion remained unchanged and so the complaint has been passed to me for decision.

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 decided to uphold this complaint for much the same reasons as our investigator.

Barclays hasn't disputed an error was made and it has offered to take a number of steps to put things right. I agree that these steps are what I'd expect it to do, but that it is also fair and reasonable to go further. And I've focused on the outstanding issue of this complaint that is still in dispute over repeating everything that has been considered.

This complaint has clearly caused Mr C distress and inconvenience as he's needed to speak with Barclays at different points to put things right. Complaint handling is not a regulated activity and as a result, I cannot comment on the delays in it providing its answer. But this will have impacted the overall customer service that has been provided. Barclays has offered £450 in total for the errors it has made and the impact of this. I think this is a fair offer and in line with what I'd expect to see for a complaint of this nature. And while I appreciate Mr C feels this could be higher, the award is in line with this Services awards.

The outstanding issue with this complaint is whether it would be fair to ask Barclays to increase the percentage amount Mr C can pay as a part repayment this year to reflect what he was unable to pay last year when waiting for the complaint to be resolved and understand the impact of this.

I understand why Barclays feels this is not needed as the way Mr C has operated his account has meant he has generally made overpayments and not used the full part repayment allowance amount. However, this doesn't take away from the fact that he was not given the option to operate the account as he wanted to when Barclays said it couldn't amend the initial payments that had been applied as part repayments when he didn't want them to be. And his financial planning was impacted as a result of this and him not being aware of whether these amounts could be amended.

With this in mind, it doesn't appear unreasonable to increase the part repayment allowance amount this year to reflect this being removed last year when Mr C had raised his concerns about how the payments had been applied. He did this within the 90-day period that Barclays said it needed to make a change but this was missed because of a failure to deal

with the request promptly over Mr C making an error. And it was not until after this year had finished that Mr C was aware that the part repayments could be amended to overpayments. So he didn't have the choice to do anything different at this point as a result.

It is up to Mr C whether he wants to use the allowance this year or continue to make additional payments as overpayments instead of part repayments. But it is fair he has this choice to make.

Putting things right

To put things right, Barclays needs to do the following.

- Amend the additional payments Mr C made between 6 October and 12 October which were treated as part repayments to overpayments.
- Amend any payments made between 12 October and 13 December 2022 which were below the overpayment threshold and credit the amount as a part repayment to an overpayment.
- If Mr C wishes to make a part repayment this year to his mortgage, Barclays should increase the percentage amount allowed to reflect what he was unable to make in 2022/2023 as a result of the errors above.
- Pay Mr C £450 for the distress and inconvenience experienced as a result of this complaint.

My final decision

For the reasons I've explained, I uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 April 2024.

Thomas Brissenden
Ombudsman