

The complaint

Mr S has complained that Barclays Bank UK Plc misled him when he took out a loan with it. Mr S is also unhappy that when he made an overpayment Barclays provided him with conflicting information about the remaining balance to be paid.

What happened

Mr S took out a loan with Barclays in October 2021 for just over £22,000. This loan was for home improvements and repaid an existing loan he had with Barclays. Mr S took the loan out in branch and has said he feels he was misled.

Mr S has said he was told the repayments would be around £600 a month but he offered to pay £800 a month to bring down the interest rate. He's said the agent he spoke to said this wasn't possible, but he could make overpayments to the loan, and this would have the same effect. Mr S believes this isn't the case and feels that he was misled at the point of application. He's also said he didn't understand that some of this loan would go towards paying his existing loan with Barclays until he received the funds.

Mr S is also unhappy that after he made an overpayment to the loan, Barclays sent him conflicting statements dated a day apart. Each statement showed a different outstanding balance.

So, Mr S complained to Barclays in July 2022. Barclays couldn't give Mr S a final response in time and so he referred the matter to this service.

In its submission to our service Barclays explained that it didn't have a record of what Mr S discussed with the agent in branch. But it pointed out the loan documentation set out the position on interest and overpayments to the loan clearly. It said had Mr S been unhappy or unsure of anything in that agreement he had 14 days to raise this with it and cancel the loan. Barclays has also said the 14-day period was set out clearly in the loan documentation.

However, Barclays accepted the conflicting information about the outstanding balance Mr S received would have been confusing and worrying for him. It assured us this was a rare error and offered Mr S £100 compensation to recognise the distress and inconvenience this caused him.

One of our investigators looked into the complaint and agreed that Barclays offer of £100 was fair. Mr S didn't accept the investigator's opinion and so the case has been passed to me to decide.

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 considered all the available evidence and arguments, including the comments received following my provisional decision, to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I issued a provisional decision saying:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. Having done so I’d like to address Mr S’ points in more detail than the investigators view on the case.

Loan Application

Barclays has explained that Mr S took out the loan in branch and the loan documentation was sent to him at a later date, once his application had been approved. Mr S was to read, sign, and return the loan documentation in order for Barclays to release the funds to him.

I don’t doubt Mr S has given us his honest recollections of what he was told when he arranged the loan. But, I think it’s unlikely he was told making overpayments to the loan would change the interest rate he was being charged. After all, the paperwork he was sent after the meeting makes it clear the interest rate is fixed for the term of the loan.

Looking at the loan documentation I can see it clearly sets out the amount being borrowed, the term of the lending, the interest rate being charged on the loan, what the monthly repayments will be, and the overall cost of the lending.

The documentation also sets out how interest is charged and that overpayments can be made to the loan. It’s explained that interest is charged daily and that the loan can be repaid early, in full or in part, at any time, but if the loan is repaid early in full a charge will apply.

The documentation doesn’t say that making overpayments will reduce the interest rate that is applied to the loan.

In addition to this, it’s also explained that Barclays will automatically repay other lending a customer has with it if asked to do so.

If any of this information conflicted with what Mr S understood to be the case from his discussions in branch, then he had 14 days to cancel the loan. Again, the process for doing this is clearly set out in the loan documentation sent to Mr S.

Given this, if Mr S wasn’t happy with either the terms of the loan or the amount he received, it would have been reasonable for him to contact Barclays about this within 14 days. But I haven’t seen any evidence to suggest this happened – he didn’t complain to Barclays until around nine months later.

I can see from the loan documentation that this wasn’t an advised sale. So, ultimately it was for Mr S to ensure the lending was suitable for him. I think Barclays gave him enough information in the loan documentation for him to make an informed decision and it was for Mr S to contact Barclays if the loan didn’t meet his needs. So, I don’t think Barclays has acted unfairly here.

It’s worth noting that overpayments wouldn’t affect the interest rate applied to the loan. However, as the interest is applied daily, any overpayments that reduce the term of the loan could lead to a customer paying less for the lending overall.

Overpayments and loan balance

Barclays has said an error was made and although this error is a very rare occurrence it recognises this will have caused unnecessary worry and inconvenience for Mr S.

Barclays has explained that when an overpayment is made, part of it will go towards paying for the amount originally borrowed and part will go towards paying the interest accrued. In Mr S' case the overpayment was incorrectly only used to pay down the amount originally borrowed, when £79.88 of that payment should have been used to pay the interest accrued. The system corrected this issue but not until after Mr S had been provided with the incorrect balance, that gave him the impression that he owed £79.88 less than he did.

I accept this would have been frustrating and concerning for Mr S. I agree that Barclays has made an error here, and it could have done more to explain the mistake to Mr S sooner. Mr S hasn't lost out financially because of this error, however there was some confusion caused and a loss of expectation. But I think the offer of £100 compensation by Barclays to reflect the worry and inconvenience caused to Mr S is fair."

Barclays didn't respond to my provisional decision; however, Mr S provided comments put forward by his solicitor.

Mr S has clarified that he signed the loan agreement in branch after discussing the loan with an advisor. He's also said that initially he wasn't happy with the amount he would pay overall for the lending and so returned to the branch with a revised offer the next day.

When Mr S offered to pay £800 a month instead of £600, he was told changing the paperwork might mean that the loan application was rejected, but that he could still make overpayments to the loan whenever he pleased. Mr S went ahead with the loan but says the advisor didn't make him aware there was a cost to making overpayments to the loan. So, the loan documents don't reflect the discussion that took place with the advisor.

Mr S is also unhappy there are no notes of his conversations with the advisor in branch and has asked for witness statements and whether CCTV footage of his visit exists. He's also asked that Barclays either amend the credit agreement to reflect payments of £800 a month, or offset the saving he would have made against the total payable to Barclays, as if the agreement had been for £800 monthly repayments.

It's not disputed that Mr S visited branch to take out the loan so I don't think CCTV footage would add anything to this investigation. Given the time that has passed (around two and a half years) since the loan was taken out, I think it's unlikely any statement from the advisor would add any further clarity to what was discussed at the time.

I understand Mr S' frustration at there being no contemporaneous notes of his discussions with the advisor. However, it's not this services role to punish businesses or set out what it's processes should be in relation to matters such as this.

Having considered Mr S' comments carefully, whilst I appreciate he may have put weight on what the advisor said, it remains a fact that this was an unadvised sale. This means it was for Mr S to ensure the product was suitable for him. This would have included reading the documentation he was signing, to ensure the agreement he was entering into met his needs and reflected any discussions that had taken place.

I've thought carefully about what Mr S has said and even if the advisor failed to point out the early repayment charges, these were clearly detailed in the loan agreement that Mr S says he signed in branch. So, it would have been for Mr S to raise any concerns about this at the point he signed the agreement or at any time in the next 14 days if he was unhappy with the terms of the loan. I can't see he did this.

Given this, I don't think Barclays has acted unreasonably here. Whilst I appreciate this will be disappointing for Mr S, my decision remains that Barclays offer of compensation for its errors with his statements is fair.

My final decision

My final decision is that Barclays Bank UK Plc offer of £100 compensation is fair in the circumstances of this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 May 2024.

Charlotte Roberts
Ombudsman