

## **The complaint**

Mr and Mrs H's complaint is about their mortgage account held with Barclays Bank UK PLC. They are unhappy that Barclays made errors in the allocation of overpayments when a remortgage was taking place.

## **What happened**

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, Barclays has acknowledged it made an error, so I don't need to analyse the events in detail in order to determine whether or not the bank is at fault. All I need to decide is what Barclays needs to do to put things right.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs H being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr and Mrs H were re-mortgaging their existing Barclays mortgage and taking out a new interest rate product. The mortgage was part capital repayment and part interest-only. Mr and Mrs H were told that overpayments already made would be applied in reduction of the outstanding capital balance, as a result of which the contractual monthly payments would be lower.

In error, however, Barclays applied the overpayments solely to the interest-only part of the mortgage, rather than the capital repayment part, which is what Mr and Mrs H had wanted.

Mr and Mrs H complained, and when the matter wasn't resolved, brought their complaint to our service. An Investigator looked at what had happened and in January 2024 he issued his findings on the complaint.

He noted that, although Barclays said it had adjusted the account, this was still incorrect. The Investigator said that Barclays should recalculate the account as if it had processed the capitalisation of the overpayments correctly on 29 June 2023, which is when Mr and Mrs H asked the bank to do this.

This would include recalculating the contractual monthly payment, and amending the account as if this had been paid. The Investigator also asked Barclays to provide a full statement of the account including what the contractual monthly payments would have been had the error not occurred and had they not capitalised their payments. Mr and Mrs H would then be in a position to make an informed decision about what they'd have done in June 2023, if they'd been given the correct information.

The Investigator said that if Mr and Mrs H then wanted to revert the account to the position it would have been in if they hadn't capitalised their overpayments, they should be allowed to do this, and Barclays would need to recalculate the mortgage accordingly.

The Investigator also asked Barclays for confirmation that no additional interest had been charged.

He noted Barclays had offered £450 compensation, which he thought was fair in all the circumstances.

Barclays agreed to carry out the calculations. Mr and Mrs H still didn't think these were correct, and neither did the Investigator. As the matter couldn't be resolved, the complaint has been passed to me for a 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.

As I said above, the only issue is what Barclays needs to do to put things right. I share the Investigator's opinion that the calculations Barclays has provided do not appear correctly to reflect the position if overpayments had been capitalised, or if they had not.

Barclays told us in June 2024 that the matter was under discussion with senior management, and accepted that it had made errors in its calculations. There must be finality to this process, and so we are unable to allow the matter to remain open indefinitely. I am therefore giving Barclays directions on what it must do to resolve this complaint.

### **Putting things right**

It's not my role to carry out these calculations – that's down to Barclays. What the bank is required to do to put things right is to do the following:

- provide a breakdown of what the monthly payments would be if Mr and Mrs H had made no changes to the mortgage;
- provide a running balance of how the account would have operated (including the correct monthly payments) had the capitalisation been carried out correctly;
- provide a running balance of how the account actually operated.

Mr and Mrs H will then be in a position to decide how they want to proceed.

I think the £450 compensation offered by Barclays for distress and inconvenience is fair in the circumstances.

I expect Barclays to provide the correct figures within 28 days of acceptance by Mr and Mrs H of this final decision. I must make it quite clear to Barclays that if it doesn't do so, this would give Mr and Mrs H grounds to bring a fresh complaint to our service about their ongoing financial detriment, which could include a claim for additional compensation for distress and inconvenience.

**My final decision**

My decision is that I uphold this complaint. I direct Barclays Bank UK Plc to resolve the complaint as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 27 September 2024.

Jan O'Leary  
**Ombudsman**