

The complaint

Ms A and Mr P complain that, despite having followed the instructions in the Final Redemption Statement they received from Barclays Bank UK PLC, to calculate the amount they needed to pay to redeem their mortgage, Barclays said they owed more money, and they had to pay a further £5,032.96 to redeem their mortgage.

To put matters right they would like Barclays to return the £5,032.96 they paid on 14 September 2023, to fully redeem their mortgage, apologise for its poor service and pay them £450 to compensate them for the trouble and upset this matter has caused.

What happened

On 26 May 2023, Ms A and Mr P requested a Final Redemption Statement (FRS) for their Barclays mortgage.

The FRS included a table setting out the exact amounts required to redeem the mortgage on each day between 31 May 2023 and 30 June 2023.

The FRS said:

If you make any further payments to this mortgage account within the next 30 days (such as your usual monthly payment) please deduct them from the total amount you send us.

The FRS set out that the amount required to redeem the mortgage on 29 June 2023 was £998,231.51.

Ms A and Mr P paid £998,231.51 in two instalments:

- on 1 June 2023 they made their usual contractual monthly payment (CMP) of £3,843.39 by direct debit, and
- on 29 June 2023 they paid a further £994,388.12.

Barclays then said that Ms A and Mr P needed to pay a further £5,165.44 (as at 5 July 2023) to redeem their mortgage and that they would be charged interest on this outstanding balance.

Mr P telephoned Barclays on several occasions to try to understand why, despite having paid the amount set out in the FRS, the mortgage hadn't been redeemed. Mr P did not receive a satisfactory explanation regarding the outstanding balance. He then complained to Barclays.

Barclays accepted the service Ms A and Mr P had received was unsatisfactory, but it said they should not have deducted the CMP they made on 1 June 2023 from the total amount required to redeem the mortgage. It said they should have paid the CMP, plus £998,231.51, to fully pay off their mortgage on 29 June 2023.

To compensate Ms A and Mr P for the poor service they received when they queried the

outstanding balance it offered to pay them £450. It also offered to refund the £33.03 and £35.34 interest payments it had applied to this outstanding balance.

Mr P didn't accept Barclays' response and referred the complaint to this service. He said he felt the wording in the FRS was clear and he had paid the exact amount set out in the FRS to redeem the mortgage.

On 14 September 2023, Ms A and Mr P, decided to pay Barclays the disputed outstanding mortgage balance amount of £5,032.96. Mr P has explained they made this payment as they were worried that Barclays might report adverse information to the credit reference agencies if they did not fully redeem the mortgage.

Having carefully considered this complaint our investigator said she thought the offer Barclays had made was fair and she didn't think it needed to refund the £5,032.96 that Ms A and Mr P had paid in September 2023 to fully redeem the mortgage.

In summary, she explained that the FRS set out that the 'intended payment date' was 31 May 2023. She noted that this was the last day of Ms A and Mr P's fixed rate mortgage product. In order to avoid incurring an Early Repayment Charge (ERC) she said they had chosen to redeem the mortgage after 31 May 2023. She noted that the FRS set out that to redeem the mortgage on 29 June 2023 they needed to pay £998,231.51. But she said this amount was in addition to the CMP of £3,843.39 they had paid on 1 June.

She accepted that the wording in the FRS, regarding deducting the CMP, had caused confusion. But she said she felt, on balance, Ms A and Mr P had misunderstood the instructions in the FRS and she said she was of the view that when considered in full, the FRS had made clear that they needed to pay the CMP due on 1 June 2023 and the full amount set out in the payment schedule of the FRS.

She said she accepted that Ms A and Mr P had been frustrated and disappointed when they received the shortfall letter dated 5 July 2023, but she said she was satisfied that there was a shortfall that needed to be repaid before the mortgage could be fully redeemed. As this was the case, she said she didn't think Barclays needed to refund the additional £5,032.96 Ms A and Mr P had paid to fully redeem the mortgage.

She did however, agree that the customer service Ms A and Mr P had received had been poor. In particular, she noted that during the telephone conversations Mr P had with Barclays it did not provide him with a clear explanation of how the shortfall had arisen. She noted that Barclays had offered to pay Ms A and Mr P £450 to compensate them for the trouble and upset this matter had caused and refund a total of £68.37 in interest that had been applied to the outstanding balance. She said she felt this offer was fair in the circumstances of this complaint and she didn't think Barclays needed to do more.

Mr P did not accept our investigator's view and asked for this complaint to be determined by an ombudsman. In summary he reiterated his view that he felt the FRS;

...makes it clear that the last payment (credit) that was taken into account in the redemption statement calculations was our earlier regular monthly payment on 02/05/2023 in the amount of £3,843.39.

All redemption amounts mentioned in the FRS including all figures in the Table at pages 5 & 6 assume that no further monthly payment beyond the earlier one made on 02/05/2023. We emphasize that the subsequent monthly payment of £3,843.39 on 1 June is not taken into account in the figures in the Table at pages 5 & 6.

I issued my provisional decision on Ms A and Mr P's complaint on 15 May 2024. In it I set out why I thought their complaint should be upheld. I explained my provisional decision as follows:

I reviewed the FRS Ms A and Mr P received from Barclays dated 26 May 2023. Having done so I said I could see why they were strongly of the view that the total amount required to redeem the mortgage was £998,231.51 on 29 June 2023, not this amount plus the CMP they paid on 1 June 2023.

In particular, I noted that the FRS clearly set out:

If you make any further payments to this mortgage account within the next 30 days (such as your usual monthly payment) please deduct them from the total amount you send us.

I asked Barclays to explain why it believed that the amount Ms A and Mr P paid to redeem the mortgage in June 2023 was insufficient and the CMP payable on 1 June 2023 needed to be added to the redemption figure it had provided.

I noted that the outstanding mortgage balance on the revised payment notice dated 1 June 2023 was £993,386.12. Likewise, the FRS dated 26 May 2023 specifically set out (on page 7) how the total amount due to redeem the mortgage had been calculated and this figure included an interest payment of £1,218 in respect of May 2023. As the interest due for May 2023 had apparently been included in the total required to redeem the mortgage, I said it was not clear why Barclays had continued to say that Ms A and Mr P needed to pay the CMP due on 1 June 2023, in addition to the amount set out in the mortgage redemption statement, to fully redeem the mortgage.

I noted the explanation Barclays had provided to Ms A and Mr P in its final response to their complaint, but I said its position did not appear to be supported by the amounts and calculations set out in either the FRS or the revised payment notice.

The response Barclays provided to my query was different to the explanation it gave to Ms A and Mr P in its response to their complaint.

It said:

Customer was on fixed rate until 31/05/2023 (1.44%) and daily interest was £ 39.44. From 01/06/2023 customer moved on to the follow-on rate and daily interest increased to £217.41. Customer ordered the redemption statement on 26/05/2023 for 31/05/2023. If a redemption statement is ordered for end date of a fixed rate, then the system does the calculation based on the existing rate available on ILP (Mortgage System) when we receive the payment.

If customer does not make the payment that is the intended repayment date and happens to pay any date after the intended repayment date, then the system updates the new rate on ILP and the daily interest gets changed based on the new rate and CMP gets re-calculated. The intended repayment date in this scenario was 31/05/2023 and next CMP date was 02/06/2023.

As the customer made the payment on 29/06/2023, CMP collected on 02/06/2023 was liable to pay so customer should not have deducted this amount.

The total expected amount as per redemption statement dated 26 May 2023, for 29/06/2023 was £998,231.51 - 994,388.12 (total payment made by customer) = £3,843.39 (it got adjusted when we collected CMP)

The other reason for shortfall is due to delay in making payment by 29 days. As per new interest total interest amount charged to customer was £6,304.89 (29 days x 217.41)

Having carefully considered this explanation from Barclays, I said I thought the key issue was that the FRS incorrectly based the daily interest calculations for June 2023 on the fixed rate that had ended on 31 May 2023. I said it was disappointing that Barclays had not previously identified this issue when Ms A and Mr P repeatedly tried to get to the bottom of what had gone wrong, as it appeared to me that this was the cause of the confusion, not whether the CMP should have been added to the amount required to redeem the mortgage.

I said I thought Barclays' claim that the CMP was the cause of the confusion was incorrect as, even if Ms A and Mr P had paid the CMP due on 1 June 2023, in addition to the amount set out in the FRS required to redeem the mortgage on 29 June 2023, there would still have been a shortfall.

However, I said I was satisfied that the additional £5,032.96 Ms A and Mr P were required to pay to fully redeem the mortgage in September 2023 had not been incorrectly charged. As this was the case, I said I couldn't reasonably require Barclays to refund this amount to them.

I reached this view as the amount required to fully redeem their mortgage on 31 May 2023 was £997,092.10. As they did not redeem their mortgage on 31 May 2023, the daily interest applied to the outstanding mortgage balance after their fixed rate ended was £217.41 (not £39.44 as set out in the FRS).

If the FRS Barclays provided had reflected that its standard variable interest rate would be applied to their mortgage from 1 June 2023, I calculated that the amount required to fully redeem their mortgage on 29 June 2023 would have been:

$£997,092.10 + £6,304.89 (29 \text{ days} \times £217.41) = £1,003,396.70$

As Ms A and Mr P paid a total of £998,231.51 in June 2023 to redeem the mortgage it appeared there was a shortfall of £5,165.19.

$(£1,003,396.70 - £998,231.51 = £5,165.19)$

I was mindful that, based on my calculations above there was a discrepancy of around £130 between the amount Ms A and Mr P paid to fully redeem the mortgage on 14 September 2023, and the amount that (according to my calculations above) was apparently due. I noted however, that my calculations did appear to tally with the mortgage shortfall figure set out in the letter Barclays sent to Ms A and Mr P dated 5 July 2023 of £5,165.44.

In order to establish exactly how the outstanding balance of £5,032.96 was arrived at, I said Barclays should provide this service with a breakdown of its calculations to allow Ms A and Mr P to comment on them, if they wished to do so, before I made my final decision.

Having carefully considered this matter, I said I thought that if Barclays had correctly explained how the shortfall had been calculated when Mr P first contacted it to query why the mortgage had not been fully redeemed, despite having paid the amount set out in the FRS, Ms A and Mr P would have been saved considerable trouble and upset.

In particular, I said I thought that if Barclays had explained that the daily interest payments set out in the FRS were based on the fixed rate that ended on 31 May 2023 and did not accurately reflect the actual interest rate Barclays applied to their mortgage after the fixed rate ended, of 7.99%, Mr P would have understood why the mortgage had not been fully

redeemed.

I also listened to the calls Mr P had with Barclays, and like our investigator, I said I thought Barclays should have done more to provide Mr P with a clear explanation. Instead, it appeared that none of the representatives Mr P spoke to identified that as the fixed rate that applied to the mortgage ended on 31 May 2023, the daily interest payment due, as set out in the FRS was incorrect and was actually £217.41 per day from 1 June 2023, not £39.44 as set out in the FRS. Had the representatives Mr P spoken to identified this was the source of the confusion I noted that Ms A and Mr P would not have needed to pursue this matter further.

Likewise, I said I thought that Barclays should have carried out a more thorough investigation into Ms A and Mr P's complaint and should have identified the source of the problem, instead of continuing to give an incorrect explanation in its response to their complaint.

I noted that Barclays had offered to pay Ms A and Mr P £450 to compensate them for the trouble and upset this matter had caused. I said I was mindful however, that this offer was made in September 2023, and did not reflect that the explanation of how the shortfall had arisen that it provided in its final response letter was incorrect. I said, given the additional worry and concern this matter had caused Ms A and Mr P, as the explanations they had received for the shortfall were incorrect, Barclays should pay Ms A and Mr P a further £200, in addition to the £450 it had already offered to pay them for the poor service it provided when they queried the shortfall.

In addition, I said any missed or late payments recorded on Ms A and Mr P's credit files since they made the lump sum payment on 29 June 2023, should be removed and the records should instead reflect the mortgage as having been fully redeemed on that date. I said I had reached this view as Ms A and Mr P reasonably relied on the redemption amounts set out in the FRS, but as I have set out above, these figures were wrong. If Ms A and Mr P had received a FRS that correctly set out the amount required to redeem the mortgage, I said I was satisfied that they would have fully redeemed their mortgage on 29 June 2023.

As Barclays is aware, it is required to ensure that all communications with its customers is clear, fair and not misleading. I said I didn't think the FRS was clear and as a result Mr P was misled about the amount he would need to pay to fully redeem his mortgage. I explained that this service determines complaints on their individual merits and does not have the power to order a business to change its processes or systems. If Mr P wanted to pursue the lack of clarity in the FRS, I said he may wish to raise this issue with the industry regulator, the Financial Conduct Authority.

Both Barclays and Mr P responded to my provisional decision and both parties accepted the decision.

Barclays provided a copy of its calculations. I passed a copy of these to Ms A and Mr P so that they had the opportunity to comment on them before I issued my final decision.

Barclays also said that it had not reported any missed or late payments to credit reference agencies in relation to this mortgage from 29 June 2023. And it confirmed that it had refunded the standard variable rate interest charges it had applied of £33.03 and £35.34 for August and September 2023. It said it would now also refund the interest it had applied for October 2023 of £16.55.

Mr P said he was pleased that the 'root cause' of the problem had been identified and he provided detailed suggestions on the steps he felt Barclays should take to avoid other

customers experiencing the same problem.

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.

Having done so, and as both parties have accepted my provisional decision, I see no reason to depart from my earlier conclusions.

The calculations Barclays provided in response to my provisional decision set out that the shortfall due on 29 June 2023 was £5,165.48. I asked Ms A and Mr P if they wanted to comment on these calculations. They said they did not wish to make any further comments. As this is the case, I do not intend to consider this aspect of their complaint any further. I do note however, that the apparent discrepancy of around £130 between the additional amount Ms A and Mr P paid to fully redeem their mortgage (£5,032.96) and this calculation from Barclays - and my earlier calculation (set out above) - is in Ms A and Mr P's favour. For the avoidance of any doubt, Barclays should not seek to claim this money from Ms A and Mr P.

I appreciate the comments Mr P has made in response to my provisional decision and I would like to thank both Mr P and Ms A for their measured and thoughtful response. As I explained in my provisional decision, this service determines complaints on their individual merits and we do not have the power to order a business to change its processes or systems. I agree the FRS was unclear and misleading, and I would expect Barclays to learn from its mistakes in this complaint. If Mr P would like to pursue the lack of clarity in the FRS, he may wish to raise this issue with the industry regulator, the Financial Conduct Authority.

My final decision

My decision is that, for the reasons I have set out above, I uphold this complaint.

In order to put matters right Barclays Bank UK PLC should:

- pay Ms A and Mr P a total of £650 for the trouble and upset this matter has caused them;
- refund all the interest it applied to the shortfall from 29 June 2023, to the date the mortgage was redeemed; and
- remove any missed or late payments recorded on Ms A and Mr P's credit files in relation to this mortgage from 29 June 2023, and amend the records to reflect the mortgage as having been fully redeemed on that date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A and Mr P to accept or reject my decision before 29 July 2024.

Suzannah Stuart
Ombudsman