

The complaint

Mr F complains that Barclays Bank UK PLC didn't apply payments to his loan to reduce the balance and amount of interest due.

What happened

Mr F had a property investment loan from Barclays. He says he told Barclays he was going to make lump sum repayments. He sent a total of £100,000 but this wasn't all credited to the loan. And there was a delay before the lower amount of £90,000 was credited and the money had been held in an account that Barclays had opened. During this time, he says that interest was continuing to be charged on the higher loan balance. And he wants to be compensated for that and the aggravation he was caused.

Barclays said it hadn't made a mistake. The payments were credited by Mr F to a business current account he'd had since 2018. Mr F had discussed a prepayment of the loan of £100,000. But there had been insufficient funds to action the request. And so, the relationship manager had discussed the position by phone and in emails with Mr F. Barclays said that it needed clear and defined instructions to act. And that when it had these it had credited a lower prepayment based on the funds available in the current account. It noted that since the complaint Mr F had repaid the loan in full.

Our investigator didn't recommend that the complaint be upheld. He said that Mr F had been using the current account Barclays referred to in order to make repayments to the loan since it was drawn. Mr F had credited this account with several additional payments in November 2023 and which totalled £100,000. Mr F had asked that all this money be paid to the loan. But there was an insufficient amount to do so and taking into account the next scheduled loan repayment. So, it was agreed that a payment of £90,000 be made.

Mr F said he didn't agree and wanted his complaint to be reviewed. He said that the business current account never had or needed more than about £1,000 to make the next scheduled loan repayment. So, it was evident that if a credit was sent to the account the purpose was to reduce the loan immediately by the full amount or at least £99,000. Mr F said that this was made abundantly clear to the relationship manager. Mr F as a result wanted to claim back the extra interest Barclays charged because he said it negligently failed to allocate the funds as it was instructed to.

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 note as has been set out that the business current account had been used to make the regular payments due to the loan by direct debit. When Mr F asked about making additional payments to the loan he was told to make them first to the current account. He made a number of payments on 7 and 8 November 2023 which totalled £75,000. And a further

payment of £25,000 on 16 November 2023.

The loan was on an interest only basis. And interest was charged in arrears monthly on or around the eighth of the month. So, a debit to the current account of £2,079 was made on 8 November 2023 for a repayment. Similar repayments were taken on 8 December 2023 and 8 January 2024. The loan prepayment for £90,000 was credited on 5 January 2024.

I can understand that Mr F is unhappy that the amount wasn't credited any earlier taking into account that after the credit had been made the next monthly repayment in February 2024 reduced to £1,425 and reflected the lower interest due on the reduced loan balance.

I note from the loan agreement that there was a requirement that seven days' notice of an overpayment be given. And that overpayments over ten per cent of the loan balance drawn down were subject to a one per cent prepayment fee. Overpayments couldn't be drawn again.

I have reviewed the email correspondence about the payments that Mr F and Barclays have provided. I note that on 31 October 2023 Mr F disputed that a prepayment fee would be due and then asked on a number of occasions what that fee would be. The relationship manager asked Mr F on 6 November 2023 to confirm exactly how much he wanted to repay. And on 10 November 2023 noted that the balance on the account was below the £75,000 Mr F had by then referred to and asked if he wanted then to make the ten per cent payment to the loan that was fee free.

I've not seen that Mr F addressed that and he went on to ask about the fee when the full £100,000 had been credited. Again, the relationship manager asked him if he wanted to pay the ten per cent fee free element. On 30 November 2023 it was pointed out to him that there wasn't £100,000 available as the repayment of 8 November 2023 I've referred to above had been taken. And that Barclays needed to clarify how much he wanted to pay. On 21 December 2023 Mr F said he had agreed to the prepayment fee and queried why he had the current account. On 27 December 2023 he said that he was unhappy that two further monthly repayments had by then been taken and wanted an immediate transfer of the funds. On 2 January 2024 Barclays explained the direct debit repayments and asked if it should transfer £90,000 which took into account the repayment due on 8 January 2024. The overpayment was made.

My assessment

It ought to have been possible for the money to be credited to the loan account sooner than it was. And so, as Mr F says interest and the following monthly payments would be reduced. I agree that Barclays needed clear instructions to make the overpayments. And that there was no facility for Mr F to make these directly – and so here he paid the money into the current account.

I'm afraid that the ongoing correspondence including about the dispute over the prepayment fee, about the use of that current account itself and then the application of the regular monthly payments all contributed to the delay. From those emails I think it was clear as time passed that the overpayment still hadn't been made. And that Barclays was asking for instructions including whether to make the fee free prepayment. It wasn't able to repay initially £75,000 and then £100,000 as instructed by Mr F due to the monthly repayments that had been made. And that when it had instructions to pay £90,000 taking those payments and the one due in January 2024 into account it was able to do so. I don't find on balance that it acted unreasonably and should compensate Mr F for interest paid or any inconvenience or distress. I can appreciate that Mr F will be very disappointed by my conclusions given what's at stake for him.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 October 2024.

Michael Crewe
Ombudsman