

## The complaint

Mr B complains that Barclays Bank UK PLC unfairly reduced the reserve facility on his mortgage current account. And that it subsequently reported missed payments to credit reference agencies that he had no knowledge were due.

## What happened

In 2003 Mr B took a mortgage with Barclays for approximately £236,000. The mortgage was set up on a capital repayment basis over 25 years and interest was charged at 0.85% above Bank of England base rate. The mortgage was a Barclays “offset” product, which means it was linked to a current account with the potential for a “reserve facility.” The product allows for the reserve facility to be set at the time of taking out the mortgage or to grow in line with the repayment of the mortgage – in practice, a combination of both. But that facility also allows the borrower to withdraw money (and pay it back) flexibly up to the limit of the facility. When a borrower does so, the borrowed money shows a debit on the current account (an overdraft), rather than the mortgage account, and interest is charged at the same rate on both accounts.

Mr B’s mortgage was set up with a zero balance on his reserve facility, but that grew as he repaid his mortgage. The reserve facility grew to approximately £70,000 in 2010 and then up to £178,700 by September 2022. Barclays appears to have reduced the overall facility a number of times before then by way of what it calls “rebalancing.” In January 2023 Barclays reduced Mr B’s reserve facility limit to £176,670. However, at that time his debit balance on the current account was £178,450. So, the reduction in the limit resulted in Mr B’s credit file being negatively impacted.

Barclays repeated that action with similar impact on the following occasions:

- March 2023 – The limit was reduced to £174,170 when the debit balance was £176,670 (Barclays reversed that reduction in June 2023).
- September 2023 – The limit was reduced to £174,180 when the debit balance was £176,670 (Barclays reversed that reduction in November 2023).
- February 2024 – The limit was reduced to £173,780 when the debit balance was £176,670.

Since February 2024 the limit and the debit balance have remained the same and Barclays continues to report information in that regard, and that negatively affects Mr B’s credit file.

Mr B says Barclays didn’t inform him it would reduce his reserve facility, so the reduction was unexpected. He complained to Barclays about that before the September 2023 reduction, and in his correspondence with Barclays, he emphasised that the issue was exacerbating his long-term mental health issues. He complained to Barclays again on 12 October 2023, when he found his reserve limit was reduced again in September 2023. In that complaint he explained the same thing happening again made him feel “*physically sick*,” was “*unable to sleep*” and was suffering “*crushing headaches*.”

Barclays responded in two final response letters, one addressing the March reduction (it said “February”) on 20 September 2023 and one addressing the September reduction on 12 January 2023.

In the first of those letters, Barclays didn’t say why the limit was reduced and confirmed that it didn’t send Mr B any notification of the reduction. It said that, to resolve the matter, it had reinstated the previous limit (something it had informed Mr B of in June 2023) and it had removed the arrears marker from his credit file. It also offered Mr B £350 “by way of an apology.”

In its January 2004 final response letter, Barclays again confirmed that it hadn’t sent Mr B notifications of the limit reductions. But it explained that the debit interest generated by the debit balance on his current account was being charged to the mortgage account, causing the mortgage balance to increase. And the payments Mr B was making to his mortgage account were insufficient, causing his overall balance to exceed his credit limit. The letter referred to a call Barclays had with Mr B (about the resolution of his complaint) during which he agreed to call Barclays to discuss a payment plan. Again, it said it had restored his previous limit, and it informed him of that in a letter dated 27 November 2023.

Dissatisfied with Barclays’ response, Mr B asked us to consider his complaint on 9 April 2024. By that time, as explained above, his limit had been reduced again and his account remains in arrears, which is what Barclays continues to report to credit reference agencies.

Mr B says his overall credit limit has been eroded over time, meaning the limit Barclays referred to in its January final response letter is substantially lower than the credit limit that was originally agreed. But his current balance doesn’t exceed what was originally agreed. He sent us details of how difficult he’s found it to deal with Barclays to resolve this matter. That includes unfulfilled promises, letters it didn’t respond to or acknowledge and a general lack of genuine empathy regarding the impact Barclays’ action has had on him. In that particular regard, Mr B says Barclays’ actions had an increasingly severe detrimental impact on his mental health.

Our investigator didn’t uphold Mr B’s complaint. She said Barclays has agreed to reinstate the original mortgage reserve amount and remove an adverse marker from Mr B’s credit file. She said they’ve explained why the reserve facility limit was reducing and agreed a repayment plan with Mr B. She explained that, given what Barclays has done, she thinks its offer of £350 for the distress and inconvenience caused by its poor service is reasonable.

Mr B didn’t accept our investigator’s view. He says, had Barclays explained what was causing the reduction of his current account reserve limit in June 2023, it wouldn’t have caused him the problems it has. Instead, the issues caused him six months of worry, the situation repeated itself, having a massive impact on his mental health – because Barclays didn’t understand its own product. He also said our investigator didn’t address the issue of the impact on his credit liquidity – particularly the reduction of his Barclaycard credit limit to £1 and, more generally, the reduction to his credit score. And he says the redress doesn’t change the impact of Barclays’ actions on his mental health, which otherwise would have been in a much better place than it currently is.

Our investigator responded by saying a complaint about the Barclaycard had not been made, so it wasn’t something she’d investigated. She said she thought the £350 offered by Barclays was in line with our guidance.

Mr B remained dissatisfied. He said he hasn’t agreed to a payment plan, instead, he’s agreed to discuss repayment when our investigation is concluded. But he’s transferred

£20,000 into his current account to ensure he is within his overall limit. And he remains dissatisfied that the damage done to his credit worthiness, including the removal of his Barclaycard credit facility, has not been rectified.

As Mr B did not accept our investigator's view, his complaint has been passed to me for a decision.

I wrote to both parties with my provisional decision. Mr B responded, but Barclays did not. I've considered Mr B's response and will outline my thoughts on that below.

### **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.

.In my provisional decision I said:

*"To decide Mr B's complaint, I've thought about whether Barclays' explanation of what caused the reductions to Mr B's current account is correct; whether he's been put back in the position he would be in had Barclays not made errors; and whether he's been compensated adequately for the distress and inconvenience caused by Barclays' poor handling of the matter overall. Before I do that, I need to establish what Barclays' errors actually were.*

*The situation appears to be an evolving one in that some of what Mr B is unhappy with happened after he made his complaint to us. Since then, Barclays wrote a further final response letter – 12 January 2024. It's my understanding that Barclays accepts that events up to then can be considered as part of this complaint.*

*Barclays has explained that the interest charged for the debit balance on Mr B's current account overdraft (used reserve facility) is being added to the mortgage balance. And as that interest was not being paid, the balance of the mortgage was increasing and that resulted in the reserve facility limit to decrease.*

*Barclays also explained that the terms and conditions of the mortgage allow for 'rebalancing' to occur over the life of the mortgage. That means Barclays was free to reduce the overall facility as the remaining term diminished.*

*I accept Barclays' explanation in both regards – it's in line with my understanding of how the product works. And I think it's reasonable that, generally, the overall credit facility shouldn't increase without Barclays carrying out an affordability check.*

*However, in this case, throughout 2023 and into 2024, Barclays reduced Mr B's facility, without notice, to an amount lower than his balance. That put him in a position where the information Barclays reported to credit reference agencies about the mortgage was detrimental.*

*I don't think the mortgage product Mr B has with Barclays is easy to understand, particularly some of the detail. I think it should have been clear to Barclays in June 2023 that an element of its product wasn't working for Mr B, and he didn't understand why. I think it was Barclays' responsibility to help him understand that and make an arrangement that would negate the need to reduce the overall facility, or at least do so in a way that didn't cause him detriment. That may, for example, simply have been agreeing with him that it would debit the monthly interest charged to the mortgage account from an entirely separate bank account.*

*In June 2023, Barclays didn't give Mr B an explanation of what was causing the issue. To make matters worse for Mr B, when Barclays reduced his reserve limit again (having previously restored it as part of the resolution to his complaint), it did so without warning again.*

*So, I don't think Barclays' error here was that it had reduced Mr B's overall facility over time or that it reduced his reserve limit because of the increasing balance of his mortgage account. The mortgage terms and conditions allow it to do those things. I think Barclays' error was that it didn't give Mr B notice of the reserve limit decrease in January, March and September 2023 (and then again following its second final response letter in February 2024). And I think it should have identified and explained the cause to Mr B in June 2023 to avoid the subsequent repetitions.*

*The explanation given to Mr B in June 2023 appears to have led him to think that the reduction to the reserve limit was merely an error on Barclays' part. So, he didn't know he needed to take action or what action to take. When the same thing happened in September 2023 – after Barclays' first final response letter – he wrote to Barclays again and that correspondence appears to have been ignored. He was informed in writing that his previous reserve limit would be restored. But Barclays still didn't offer an explanation of what was causing the issue. So, again, Mr B couldn't take action to resolve the issue. Internal notes from Barclays show that while it was prepared to restore his reserve limit in November 2023, it didn't think it had made an error, so would not remove adverse credit information from Mr B's credit file.*

*It wasn't until Barclays wrote to Mr B with its final response letter of 12 January 2024 that it explained what was causing the issue. So, I don't agree that Barclays didn't make an error by decreasing the reserve limit without notice before that. And I think reporting adverse information to credit reference agencies was unreasonable in the circumstances.*

*Mr B says the service he received from Barclays in trying to resolve this matter was poor and detrimental to his mental health. He says he wrote letters to Barclays on 31 July 2023, 12 October 2023 and 12 November 2023. He says Barclays didn't acknowledge those letters or respond to them. He says the first conversation he had with Barclays was on 2 June 2023. And he says that was a long call where he was initially told his mortgage was in arrears by the total loan amount. But, during that call, Barclays' representative went on to show empathy, show concern for Mr B's health and then promised to resolve the issue as a matter of urgency. He says that didn't happen and Barclays merely proceeded to miss numerous deadlines and ignore his subsequent correspondence.*

*Mr B says, in the meantime, Barclays continued to send him letters, emails and texts he describes as "threatening."*

*Barclays hasn't provided any evidence to contradict Mr B's claims regarding the service it provided. It has acknowledged that it provided him with poor service and offered him £350 in acknowledgement of that."*

I went on to say Barclays should – along with other remedies I'll outline below – pay Mr B £750 in total for the distress and inconvenience its errors have caused him. Mr B responded saying he thinks my award in respect of the distress and inconvenience caused to him should be higher than £750. He asked:

- Whether we're unable to compensate for injury to mental health within our

- guidelines and rules.
- Whether I've factored the injury to his mental health into my award.

The impact of an error or action on a consumer's mental health is something we take into account when considering an award for distress and inconvenience. In this case, I increased the award, in part at least, because of the submissions from Mr B about the impact on his mental health. That said, it's impossible for me, or anyone else, to really know what Mr B has experienced as a direct result of Barclays' errors. And, even if I could, there isn't actually a way to equate that to a monetary amount – no monetary amount would erase his experience. All I can base the level of the award on is Mr B's submissions, our guidance on awards for distress and inconvenience – <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> – and my training and experience as an ombudsman. I did that when I made my provisional decision. And, as Mr B's subsequent submissions haven't persuaded me of a greater impact, I'll not change the amount of the award now.

### **Putting things right**

To put Mr B back in the position he would have been had Barclays errors – as identified above – not occurred:

- Barclays should remove all adverse credit information reported from the beginning of 2023 in relation to Mr B's overall debit balance being greater than his overall mortgage and mortgage current account credit facility; and
- Barclays should restore Mr B's overall credit facility to an amount equal to his overall debit balance until such time that it engages meaningfully with Mr B to arrange a plan to maintain the facility effectively. That includes all the time since its final response of 12 January 2024 when Mr B's overall debit balance was greater than his overall credit facility. I say that because that was the result of Barclays not informing Mr B of the cause or engaging with him to rectify matters before it most recently reduced his overall facility.

Mr B has told us his credit worthiness (his credit score) has been affected by Barclays' actions. I can't know all the contributing factors to Mr B's credit score, but I think Barclays' removal of adverse information in this regard will go some way to restoring that.

Mr B has also mentioned the reduction to £1 of his Barclaycard balance. And, in his recent submissions, he's reiterated that he feels strongly I should include that issue as part of this decision. But, as I said in my provisional decision, that isn't part of his mortgage facility and we've not dealt with it as part of this complaint. Instead, we've offered to set up another complaint about that. To date, Mr B hasn't asked us to do that. However, Barclays may want to consider whether, in light of what I've said above, it should proactively look into that for Mr B – in short, whether it reduced his Barclaycard balance because of its unreasonable credit reporting on his mortgage.

To redress the distress and inconvenience caused to Mr B – taking into account the impact on his mental health he made Barclays aware of – Barclays should pay Mr B £750 because of its:

- Failure to give notice of reserve facility reductions.
- Failure to identify and inform Mr B of the cause of the issue (and failure to stick to its promise in that regard).
- Failure to engage with Mr B to find a solution to the problem.

- Failure to respond to his concerns following the September limit reduction.
- Failure to remove adverse credit information from his credit files.
- Overall poor customer service, which it has acknowledged.

### **My final decision**

My final decision is I uphold Mr B's complaint about Barclays Bank UK PLC, and Barclays should carry out my instructions as outlined in the 'putting things right' section above if Mr B accepts my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 January 2025.

Gavin Cook  
**Ombudsman**