

The complaint

Mr and Mrs B complain that Barclay Bank UK PLC made numerous errors with their mortgage application. They ask for compensation for financial loss, trouble and upset and lost future rental income.

What happened

Mr and Mrs B had a residential mortgage with Barclays. They wanted to buy a second property as an investment and contacted Barclays about additional borrowing.

The intention was that Mr and Mrs B would take out a buy to let mortgage and fund their deposit with additional borrowing secured on their house. Barclays agreed to the additional borrowing on the basis the remaining term of Mr and Mrs B's mortgage was extended from 13 to 16 years, and they switched from a lifetime tracker rate. Mr and Mrs B made an offer for a property and made the mortgage application.

There were a series of errors and problems. Barclays reduced the amount of additional lending it would offer, leaving Mr and Mrs B with a shortfall. Its solicitors made errors and caused delays. The money for Mr and Mrs B's deposit was transferred to the wrong account. And while Barclays then said it would lend them money for the deposit this was only if they repaid £11,000 of debts, most of which Mr and Mrs B say didn't exist. Mr and Mrs B's purchase fell through and they say this was due to the delays caused by Barclays' errors.

There were further difficulties and delays before Barclays returned Mr and Mrs B's mortgage to the original term and lifetime tracker rate.

Our investigator said the compensation offered by Barclays for Mr and Mrs B's financial loss, upset and inconvenience was fair. He said it wasn't reasonable to require it to pay further compensation for lost future rental income.

Mr and Mrs B didn't agree, saying the compensation offered isn't enough. They say Barclays was trying to manipulate them to keep a mortgage that would have cost them £50,000 more. Mr and Mrs B expected to let out the property and say Barclays should pay compensation for their lost profit, which they estimate at £300 per month.

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.

Barclays made errors here. Mr and Mrs B's purchase of an investment property fell through. And it took about nine months for Barclays to put matters right, including returning Mr and Mrs B's mortgage to the original term and lifetime tracker rate. Barclays doesn't dispute it made errors here, or that it should pay compensation. I have to decide whether it's done enough to put matters right.

Barclays calculated Mr and Mrs B's actual financial loss caused by its errors and delays at about £2,000. This includes additional interest costs, legal costs, valuation fee and other costs related to the mortgage accounts. Mr and Mrs B haven't said this amount is incorrect.

What Mr and Mrs B have said is that Barclays should pay compensation for lost rental income, and more compensation for their upset and distress.

In its final response letter Barclays said it took all of the points raised by Mr and Mrs B into account when it offered £1,225 compensation. Its final response letter refers to the emotional impact, the lost investment opportunity and potential rental income, inconvenience and stress. So while Barclays didn't apportion all of the compensation, I think its intention is that the £1,225 compensation is for all of this.

Mr and Mrs B specifically asked for compensation for lost rental income, and I've thought about what a fair amount for this would be. In doing so, I've taken the following into account.

- I can't know for certain that Mr and Mrs B's purchase would have gone ahead, had Barclays not made errors. However, given the number of errors, I think it's likely this was the cause, or main cause, of Mr and Mrs B's purchase falling through.
- Mr and Mrs B were disappointed their property purchase fell through, and wanted Barclays to compensate them. But I can't see that this prevented them from buying a second property, starting the process after the first property purchase fell through. If I did require Barclays to pay compensation for lost rent this would only be for a period, enough time for Mr and Mrs B to have found and bought another property. I think three to four months would be a reasonable period for this.
- Mr B says an agency had prospective clients willing to rent the property. He calculates lost profit (rent less costs) at about £300 per month. It seems likely there would have been a short period before tenants moved in and started to pay rent.
- Taking the above into account, If I did require Barclays to compensate Mr and Mrs B for lost rent, I don't think it would be fair for this to be for more than three to four months. This would come to about £900 to £1,200.
- If Mr and Mrs B had gone ahead with the purchase of a second property, I think it's likely they'd have needed the additional borrowing to fund the deposit. So they'd have kept the new mortgage terms, including the switch from the tracker rate. It wouldn't be fair to require Barclays to refund the difference between the tracker rate and the more expensive product rate (about £700) as well as paying compensation for lost rent.
- I think it would still be fair for Barclays to refund other costs (such as legal costs and the valuation fee) as these would be incurred again if Mr and Mrs B find another investment property.

Following this reasoning, if I did require Barclays to pay compensation for lost rental income, I'd have required it to pay £900 to £1,200 for lost rent *less* the £700 refund for additional interest – so about £200 to £500.

Barclays said £75 of its compensation was for three unnecessary trips to a branch, and £150 was for the time it took to deal with Mr and Mrs B's complaint. This means the remaining £500 to £700 of the compensation offered by Barclays is for Mr and Mrs B's upset and trouble. I must take into account that the second property was an investment: although I don't doubt the upset caused by Barclays errors, the purchase was, in effect, a business

decision. Taking all of the circumstances into account, I think £1,225 compensation is fair and reasonable.

Mr and Mrs B say Barclays was trying to manipulate them to keep a mortgage that would have cost them £50,000 more. I know they feel strongly about this. But it's not my role to fine or punish businesses. Barclays returned Mr and Mrs B's mortgage to the original term and tracker rate. While this took longer than it should, Barclays compensated them for the additional interest. And the time it took to put matters right was one of the things Barclays considered when offering compensation.

While I know Mr and Mrs B will be disappointed, I don't think it's fair and reasonable to require Barclays to pay further compensation.

My final decision

My decision is that I do not uphold this complaint. This is because I think the compensation offered by Barclays Bank UK PLC is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 8 February 2021.

Ruth Stevenson
Ombudsman