

## **The complaint**

Mrs A and Mr S complain that Barclays Bank UK PLC made an error which led to their application to port their mortgage being declined. They are unhappy that, after this error had been identified, Barclays didn't reconsider the application promptly. And the uncertainty meant they felt they had to take a mortgage elsewhere.

## **What happened**

Mrs A and Mr S had a mortgage with Barclays. In April 2019 they took a new interest rate deal on the mortgage. At the time the mortgage balance was just under £191,800. They took a five-year fixed interest rate, which meant if the mortgage was repaid within those five years an early repayment charge (ERC) would be applied.

In July 2020 Mrs A and Mr S were looking to move home. They've said they'd accepted an offer on their house and had an offer accepted on a new property. They contacted Barclays as they wanted to port their mortgage and take additional borrowing.

Barclays looked to provide a decision in principle. But the application was declined at that stage. Mrs A and Mr S queried why. Barclays indicated that it was based on information on Mrs A and Mr S' credit file.

Mrs A and Mr S obtained copies of their credit file from credit reference agencies, at their own cost. These showed no missed payments or negative markers. However, an association had been created on Mr S' credit file to an address he had not lived at. And the credit file indicated that he was party to a mortgage on that property. The mortgage was listed as being held with Barclays.

Mrs A and Mr S contacted Barclays again to say that it appeared it had caused this incorrect information to be registered. They'd arranged for the credit reference agencies to correct the error, as they said those agencies agreed the information was incorrect. They asked Barclays to look again at the application. But it said it could not pass the application to an underwriter until a decision in principle was agreed.

Mrs A and Mr S applied again for a decision in principle. This was again declined. They contacted Barclays to ask why and were initially told this was due to a county court judgement (CCJ) registered against them. They paid for a search of public records to verify this. And this showed there were no CCJ's registered in their name.

Barclays then said it appeared the decision in principle was declined because the relevant information with credit reference agencies hadn't yet been updated on its system. Mrs A and Mr S have said they spoke to Barclays several times but it was unable to definitively say when this would be updated. And said it couldn't proceed until a decision in principle was approved. It explained this was because, if a mortgage adviser carried out a hard search of their credit files with the intention of overriding the decision in principle, and this was also declined, this hard search would negatively impact Mrs A and Mr S' credit file.

Mrs A and Mr S applied for a mortgage with another lender. They've said they felt they had

no choice. This application was approved. A mortgage offer was issued on 15 August 2020 confirming the new lender agreed to provide a mortgage of £318,750. Mrs A and Mr S took the new mortgage and completed their move. They redeemed their Barclays mortgage. As this was within the fixed rate period, they were charged an ERC.

Mrs A and Mr S complained to Barclays. They were unhappy with how it had handled their application and that it had declined their porting request. They said they felt Barclays actions had forced them to seek a mortgage elsewhere, so they asked that it refund the ERC charged.

Barclays acknowledged that the service it had provided was poor and indicated it believed the issue with the information incorrectly recorded with credit reference agencies had come about due to an administrative error several years earlier. It also acknowledged it had incorrectly told Mrs A and Mr S that a CCJ had led to the second application being declined. To put things right it offered to pay them £20 to cover the cost of public record search they'd carried out in respect of the CCJ, £150 for how long it had taken to deal with their complaint and £400 for the distress and inconvenience caused. It however declined to refund the ERC as it felt this had been charged correctly.

Unhappy with this response, Mrs A and Mr S asked our service to consider the complaint. One of our Investigators looked into matters. They agreed that the service provided by Barclays had been poor and the communication had not always been clear. But they felt that, in a call on 31 July 2020, Barclays had indicated that the update to Mr S' credit information should take effect in August 2020. And so, Mrs A and Mr S could attempt to complete another decision in principle then. As Mrs A and Mr S had chosen not to do this, they didn't think they could fairly say the ERC should be refunded. But they did think Barclays should increase the amount it had offered for the distress caused from £400 to £750.

Barclays agreed with the Investigator's opinion. But Mrs A and Mr S did not. They felt, as Barclays couldn't give any assurances that the problem wouldn't persist they didn't actually have a choice other than to take a different mortgage. And they also felt, as the issue with the incorrect address had come from Barclays initial error, it'd be fair for it to refund the ERC.

As Mrs A and Mr S did not agree with our Investigator's opinion, the complaint has been passed to me to decide.

### **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've seen a copy of both Mrs A and Mr S' credit files, including the information about a linked address that was incorrect. Mr S' credit file says he was party to a mortgage on that property, which appears to have created the association. The mortgage is shown as being with Barclays. Barclays hasn't provided anything that suggests Mr S in fact had more than one mortgage. And he has said he has never heard of the address in question. I note the start date shown on his credit file for this mortgage is the same as when his and Mrs A's actual mortgage is shown as having begun on Mrs A's credit file. And the street name for the address is similar to his actual address. Based on this I'm satisfied on balance, that the information was incorrect and that it likely came about due to an error by Barclays in its reporting.

But while I think Barclays did make an error that led to this information being reported, I don't think that means it needs to refund the ERC applied here.

The mortgage offer from 2019 explained that if the mortgage was repaid before the end of April 2024, an ERC would be applied. The mortgage was repaid and redeemed prior to this date. So, an ERC was charged in line with the agreement made.

The agreement did say there was the possibility of transferring the mortgage to a new property – which is what Mrs A and Mr S asked for. But the mortgage offers also set out that any request to do so would be subject to lending criteria at the time.

Mrs A and Mr S' application did not get past the decision in principle stage. They've said that they believe the incorrect address information is what led to this. And it appears, when they spoke to Barclays, it has said it also thought this could be behind the issue. But this hasn't been confirmed. I'm conscious Mrs A and Mr S have said that this information was only recorded with one credit reference agency – and others appeared unaffected.

In the call they had with Barclays on 31 July 2020, which I've heard a recording of, they said that they'd applied for a decision in principle to another lender – not the one that they ended up taking a mortgage with. And that lender was one that used credit reference information from the agencies that were not affected by the address issue. But that lender had also declined the application at decision in principle stage. This suggests that the issue with the address might not have been the only reason the application was not approved.

Whatever the issue was I don't think Barclays was wrong to say that it needed to agree a decision in principle before proceeding to a full application. It has explained, and it told Mrs A and Mr S in the call I've listened to, that a full application would involve a hard credit search – which would appear on and impact Mrs A and Mr S' credit file. Whereas decision in principle assessments did not. So, I think it was reasonable for Barclays to want their application to pass its high-level evaluation of whether it fell within its lending criteria, before doing something that could ultimately have been detrimental to Mrs A and Mr S.

Mrs A and Mr S are unhappy because they feel Barclays wasn't clear with them about how long it would take for the issue they'd identified with their credit file to be resolved – and in some calls suggested this could be a matter of months. But again, there was no guarantee that even if this issue had been rectified, that Barclays would've agreed to lend.

While they were existing customers of Barclays, and were looking to port, Mrs A and Mr S were also looking to take significant additional borrowing – as shown by how much they ended up borrowing from their new lender. And there is no guarantee that Barclays would've been willing to lend this additional amount. While they have been able to get a mortgage for the amount they needed from elsewhere, all lenders have different lending criteria and different appetites to risk. So, the mortgage being agreed by another lender doesn't mean Barclays would necessarily have done so.

Even if a decision in principle had been approved – this is just a high-level check, based on limited information of what a lender might be willing to agree. It isn't a binding offer. A full application would still have needed to be reviewed and considered by Barclays. And the application could've still been declined. So, Mrs A and Mr S being able to port the mortgage was not guaranteed, even before the issues with obtaining a decision in principle.

Given the volume of calls they made to Barclays I don't doubt what they've said that they weren't given the clearest information – which I'll come back to. But in the call I've heard from 31 July 2020, I'm satisfied that Barclays said it expected that the information on their credit file would be updated in August 2020, so a further request for a decision in principle, which would be based on the updated information, could be made in a matter of days.

Mrs A and Mr S chose not to wait for this and took a mortgage with another lender. They

have said they'd lost confidence with Barclays by that point, so had no choice but to take a mortgage elsewhere, or risk their sale and purchase falling through. It is clear that Mrs A and Mr S wanted the porting application to proceed quickly. They've said that they'd accepted and offer on their property and had an offer accepted on a new property before approaching Barclays. But there was no guarantee that the application would've been completed in the timeframe they wanted, or in fact gone ahead at all. Mortgage applications often do take time – as Barclays would've needed to carry out affordability checks and a valuation of the new property, amongst other things, before agreeing to lend. I understand they were keen to buy the property in question. But Barclays hadn't said at any stage it would lend or committed to do so by a set time. And it's clear Mrs A and Mr S were aware that taking a mortgage with another would result in an ERC being charged.

Taking all of this into account, while I know Mrs A and Mr S don't agree, I think it was ultimately their choice to proceed with a different lender. And even without the issues they encountered, I can't say that they wouldn't have otherwise needed to do so or that an ERC wouldn't always have been incurred. With that in mind, and as the ERC has been applied in line with the mortgage agreement, I can't fairly say Barclays needs to waive it here.

Barclays has acknowledged that it did not provide the best service to Mrs A and Mr S here. And I agree. As I've said, I think Barclays was the cause of an issue with information recorded with credit reference agencies. While Mrs A and Mr S said they managed to get this rectified themselves, I'd have expected Barclays to have taken steps to put this right – or at least took steps to verify this had been corrected with credit reference agencies.. And I can't see that it did.

Barclays accepts it gave misleading information during a call that suggested there may be a CCJ in Mrs A and Mr S' name. And this led to them undertaking a review, at their own cost, which was unnecessary. Mrs A and Mr S have also said that they sent Barclays copies of their credit file via recorded delivery in mid-July 2020, highlighting the address problem. But by the time they spoke to Barclays on 31 July 2020, these still had not been reviewed. And I think this should've been reviewed quicker than it was.

There also seems to have been a number of calls between Mrs A and Mr S, over a short period of time, where they were looking for help with their application. It seems they spoke to different call handlers at different times, which led to these calls taking longer while Barclays representatives familiarised themselves with the issues involved. And they've said this led to them being given unclear and inconsistent information. I don't think Barclays has necessarily made an error by following its usual process in terms of how it handles telephone enquiries. But I do agree this is likely to have caused inconvenience here, when compared to the alternative of having a dedicated point of contact.

I don't think the issues with the service provided warrant the ERC being waived. But I do think it is appropriate that Barclays provide compensation.

Barclays offered to pay £20 to cover the cost of the CCJ enquiry Mrs A and Mr S made. And I think that is fair as it directly addressed the cost Mrs A and Mr S said they'd incurred because of the incorrect information they were provided. It also offered £150 for the delay in dealing with the complaint - which again I think is fair.

Based on the recommendation of our Investigator, Barclays has agreed to pay £750 for the distress and inconvenience caused to Mrs A and Mr S. I've taken into account what Mrs A and Mr S have said about how stressful they found this all. And I don't doubt it was upsetting that the application did not progress smoothly. But I'm also conscious that mortgage applications, at the best of times, can be quite stressful experiences. And a lot of the stress here was due to them being worried about their property chain falling through. But they'd

entered that chain and informally agreed sale and purchase, without lending being agreed.

Taking everything into account, I think the payment of £750, which Barclays has now agreed to make, is fair and reasonable in the circumstances.

### **My final decision**

For the reasons I've explained I uphold this complaint in part.

To put things right I require Barclays Bank UK PLC to pay Mrs A and Mr S;

- £20 to cover the cost of the public record search they instructed (as it agreed in its final response).
- £150 for the delays in investigating the complaint (as it agreed in its final response).
- £750 for the distress and inconvenience caused by its handling of their application.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr S to accept or reject my decision before 11 April 2022.

Ben Stoker  
**Ombudsman**