

## **The complaint**

Mrs B and Mr S complain that Barclays Bank UK PLC reduced the amount it would lend shortly before completion of their purchase. This had significant repercussions for which they'd like compensation. Mr S has dealt with the complaint throughout.

## **What happened**

Mr S and Mrs B applied for a mortgage with Barclays to buy a property. They'd agreed a purchase price with the vendor. This was consistent with the valuation carried out on behalf of Barclays.

Mrs B and Mr S instructed a separate survey. This identified remedial works which would cost about £35,000. They agreed with the vendor that the contractual purchase price would remain the same but they'd retain about £35,000 for the work and only transfer the balance to the vendor.

Mr S says Barclays was aware of this and still offered to lend the amount they'd applied for. However, after they'd exchanged contracts, Barclays said they'd have to re-submit documents with a lower purchase price – equal to the amount they would transfer to the vendor. Barclays also reduced the amount it would lend. Mr S says this put them in a difficult position. They had no choice but to agree the lower purchase price with the seller. They say this caused enormous stress and increased their legal costs. They were left without funds for the remedial work. They say the property isn't habitable until the work is done, meaning they're paying a second mortgage for the property they live in. In the meantime, the cost of the work is increasing.

Our investigator said Barclays was entitled to reduce the amount it would lend, to ensure the loan didn't exceed 85% of the loan to value. He said Mr S and Mrs B's solicitor should have been clearer about the purchase price being reduced.

Mr S and Mrs B didn't agree. In summary, Mr S said Barclays was given the relevant information and should have said there was problem sooner.

## **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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances. I should also say that where I've referred to the purchase price and other amounts, I've rounded to the nearest £5,000.

Mr S and Mrs B contacted Barclays about a mortgage to buy a property. They applied via a broker in September 2020. The application said the purchase price was £945,000. The valuation carried out on behalf of Barclays reported the property value as £945,000.

Mr S and Mrs B's solicitor wrote to Barclays in late 2020 saying work was needed at the property, for which an allowance of £35,000 had been agreed with the vendor. The solicitor provided details of the work needed, saying it was understood this impacted the structure of the property and needed addressing immediately.

Mr S and Mrs B's solicitor also sent a copy of the purchase contract to Barclays. This said the purchase price was £945,000. One of the contract clauses said "*The seller will make an allowance of £35,000 in the purchase price towards the cost of remedial work at the property which the buyer will carry out following completion.*" The solicitors covering letter drew attention to this clause and said they would be transferring £910,000 to the seller's solicitor.

Barclays says it responded to the solicitor and the broker in early January 2021 saying it would lend less than Mr S and Mrs B had applied for. Barclays says its valuer down-valued the property. It provided a copy of the valuation report (dated late December 2020) valuing the property at £910,000. Barclays says it sent this to Mr S and Mrs B – as the copy provided is addressed to Mr S and Mrs B I think it's likely that it did. Barclays also sent a copy of an email sent to Mr S and Mrs B's broker on 4 January 2021 saying the valuation was lower than the agreed purchase price and the maximum borrowing was £775,000. It said the broker should upload new documents if Mr S and Mrs B still wanted to proceed. Barclays says it also told the solicitors about the lower valuation and lower loan amount in early January 2021, although it didn't provide evidence that it did.

Barclays sent a further letter on 15 January 2021, referring to the solicitor's letters, and saying it was happy to proceed and its offer wasn't affected. It issued a mortgage offer on 15 January 2021 offering to lend £805,000. The mortgage product had a maximum LTV of 85% (although the mortgage offer was slightly over this). The mortgage offer states the purchase price as £945,000. Barclays says this mortgage offer was issued in error.

Mr S and Mrs B exchanged contracts on 29 January 2021 and paid a deposit of about £95,000. A completion date was agreed for 19 February 2021.

On 5 February 2021 Barclays said it would only lend £775,000. Mr S and Mrs B said this put them in a difficult position as they'd already exchanged contracts based on the mortgage offer received in mid-January 2021.

*Did Barclays make an error – and what was the effect of Barclays' error?*

I think, ultimately, it was for Barclays to decide whether it accepted the purchase price as £945,000 or £910,000. I think it was reasonable for it to use the lower amount – the amount Mr S and Mrs B actually paid to the vendor – when calculating the loan to value. Barclays says this is its policy. In addition, Barclays was entitled to rely on the property valuation, and the property was re-valued in late December at £910,000.

Barclays error wasn't that it didn't lend the amount Mr S and Mrs B wanted. The error was that Barclays sent a mortgage offer and covering letter in mid-January 2021 which wrongly said it would lend £805,000 on the basis of a purchase price of £945,000. Barclays accepts this was an error. It says Mr S and Mrs B ought reasonably to have known that the mortgage offer was an error.

Barclays corrected its error in early February 2021 and withdrew the offer to lend £805,000. The terms of the mortgage offer allowed it to do this – the offer says Barclays can withdraw the offer or change its terms until the loan is advanced. This includes changing the offer to correct an error in it.

However, Mr S says they exchanged contracts in late January 2021, relying on the mortgage

offer. He says due to Barclays changing the amount it would lend their solicitor had to do extra work. For instance, the purchase contract was re-written and the solicitor issued a new certificate of title. Mr S says they were caused considerable stress before completion and after. And they've been unable to complete work on the property, due to lack of funds. Mr S says they've had to live elsewhere, paying a mortgage on a flat while they wait for remedial work on the new property to be completed. Mr S says if they'd been given correct information they'd have been able to negotiate a lower purchase price with the vendors, or might have decided not to go ahead with the purchase.

First, as I've said, Barclays error wasn't that it didn't lend the amount Mr S and Mrs B wanted. Even if it hadn't made the error, Mr S and Mrs B wouldn't have been able to borrow £805,000. The most Barclays would lend was 85% of the lower of the valuation or the purchase price (about £775,000). And the solicitor would have had to re-write the purchase contract with the lower purchase price, regardless of the error.

Mr S and Mrs B knew about the lower valuation in early January 2021. Barclays told Mr S and Mrs B's broker it would only lend £775,000 on 4 January 2021. Barclays says it told the solicitors this too. Barclays had given Mr S and Mrs B correct information about the amount it would lend and so they could at this point have tried to re-negotiate the purchase price, or decide not to go ahead.

I can see that receiving a mortgage offer about 10 days later which referred to the higher purchase price and loan amount caused confusion. This was especially the case as the covering letter referred to the solicitor's letters. But I think in the circumstances it would have been reasonable for Mr S and Mrs B, or their broker or solicitor, to check this with Barclays before relying on it. The offer wasn't consistent with what Barclays had said about the amount it would lend, or the valuation of the property.

I don't think, in the circumstances, it would be fair and reasonable to require Barclays to increase the amount of the loan to Mr S and Mrs B. I do think that the incorrect mortgage offer would have caused some confusion, but I must take into account that I think it would have been reasonable for Mr S and Mrs B, or their broker or solicitor, to query whether it was right before exchanging contracts or paying a deposit. Barclays offered £650 compensation for the way it dealt with this matter and the effort and time spent by Mr S and Mrs B. In the circumstances, I think this is fair and reasonable.

### **My final decision**

My decision is that Barclays Bank UK PLC should pay £650 to Mr S and Mrs B, as it offered to do (it can deduct any amounts it has already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr S to accept or reject my decision before 5 April 2022.

Ruth Stevenson  
**Ombudsman**