

The complaint

Mr G, Mrs G and Miss G complain that Barclays Bank UK PLC didn't treat them fairly when they made a change of borrower application for their mortgage account. Barclays refunded the early repayment charge (ERC) and offered compensation. Mrs G says the amount offered doesn't reflect the distress caused and the time the matter has taken to sort out.

What happened

Mr G and Mrs G had a joint mortgage with a family member, who I'll refer to as Mr G2. Mr G2 wanted to be taken off the mortgage account as he wanted to buy a property to live in. Miss G would be added to the mortgage. They contacted Barclays. Barclays asked about their income and commitments and said Mr G, Mrs G and Miss G would be able to afford a mortgage for the amount they wanted to borrow.

Barclays made an appointment for Mr G, Mrs G and Miss G to meet with a mortgage adviser. Barclays had made an error which came to light during the appointment. It hadn't included all of Miss G's commitments in the affordability calculation during the initial call. Once these were factored in, the mortgage wasn't affordable. Barclays said they needed to apply for a new mortgage for a lower amount (£44,000 less). Mr G and Mrs G used £20,000 of their savings and asked Mrs G's parents for help with the rest.

Mrs G says this caused considerable distress and embarrassment. She was upset about asking her parents for money and says this will affect her future inheritance. She's particularly upset about this due to her parents ages. Mrs G says this caused Mr G to be embarrassed and depressed, at a time when his business was affected by the Covid-19 pandemic and social distancing guidelines.

Our investigator said while Mr G, Mrs G and Miss G had been caused upset, inconvenience and embarrassment Barclays' offer of £750 compensation (in addition to refunding the ERC) was fair.

Mr G, Mrs G and Miss G didn't agree. In summary, Mrs G said:

- Barclays failed to respond to their complaint letters
- The situation they were in was entirely due to Barclays incompetence
- It was embarrassing having to ask her parents for financial help and to provide written confirmation they didn't have a financial interest in the property
- The gift from her parents will affect her future inheritance and she had to tell her siblings
- They had to use the £20,000 they'd saved for emergencies
- The compensation offered is inadequate for being told to find £44,000.

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.

Mrs G spoke to Barclays on 13 November 2020. She asked about removing a family member (Mr G2) from their joint mortgage account and adding Miss G. Barclays asked for information about their income and outgoings and said the mortgage was affordable. An appointment was made with a mortgage adviser.

On 18 November 2020 Barclays said it had made an error on 13 November 2020. It hadn't taken Miss G's rent payments into account. It said the mortgage wasn't affordable. Barclays said the only route Mr G, Mrs G and Miss G could take was to apply for a new mortgage for a lower amount. As this wasn't enough to repay the existing mortgage, they had to find £44,000.

The new mortgage completed in January 2021. Barclays applied an ERC of about £3,000, which it later refunded. It offered compensation. Barclays has offered further amounts of compensation to Mr, Mrs and Miss G, including after the complaint came to us.

Barclays accepts it made an error. I need to consider whether it's done enough to put matters right.

Mrs G says between 13 and 18 November 2020 Mr G filed his end of year business accounts with HMRC. His accountants had asked whether he wanted to claim tax allowances, which reduced his taxable income. Having been told the mortgage was affordable with the lower income he claimed tax allowances. Mrs G says by the time they were told otherwise Mr G's accounts had been filed and couldn't be changed. Essentially, Mrs G is saying that if they'd been given correct information on 13 November 2020 Mr G's accounts would have evidenced income sufficient for the change of borrower application.

I asked Barclays if this was right, but it didn't respond. When considering what compensation is fair and reasonable, I've considered the impact of Barclays error on Mr, Mrs and Miss G, including having to apply for a new mortgage and find an additional £44,000 instead of proceeding with the change of borrower application.

First, I don't think Mr, Mrs and Miss G were caused a financial loss by the error. Barclays refunded the ERC. While Mrs G said they had to use savings to reduce the amount they borrowed, they owe less and will pay less interest as a result. Mrs G says receiving money from her parents now will affect her inheritance. Mrs G hasn't explained or provided evidence as to how this caused her a financial loss. Most likely this isn't a loss to Mrs G, it just means she's already received the money she would have later inherited. I assume there was a financial benefit to Mr G in claiming tax allowances.

However, Barclays error did cause upset. Mr, Mrs and Miss G were told they had to apply for a new mortgage for a lower amount. This must have been disappointing, having been told only a short time before this that the change of borrower application was affordable. Mrs G told us that Mr G's business was affected by the Covid-19 pandemic. So the issues with the mortgage came at an already stressful time.

I'm not sure that the mortgage application process itself caused significantly more

inconvenience as compared to the change of borrower process, which would also have required affordability checks. But it's clear that having to find the necessary funds to reduce the amount of the borrowing did cause inconvenience and upset.

Mrs G says they had to use the savings they'd put aside for emergencies to reduce the amount of the loan. This was during a difficult time for Mr G's business, so I can understand why they'd have preferred not to use these savings.

Mrs G said it was embarrassing for her and Mr G to ask her parents for financial help and to provide written confirmation they didn't have a financial interest in the property. And she had to tell her siblings. I appreciate the embarrassment this caused.

Mrs G said Barclays didn't respond to their complaint letters. Correspondence about this complaint continued for some time. I understand why Mrs G is upset about this. If Barclays had acknowledged its error and offered fair compensation at the outset Mr, Mrs and Miss G could have put this matter behind them. I should say here though that complaint handling isn't a regulated activity, which means this isn't itself something we can look into. We can look into how a complaint was dealt with if it affected the underlying problem being sorted out. I don't think that was the case here. The mortgage was moved into Mr, Mrs and Miss G's names and Mr G2 was removed. The issue that remained unresolved was the amount of compensation.

It's unfortunate that this happened during the Covid-19 pandemic. Mrs G has told us that Mr G's business was affected by the pandemic. Barclays wasn't responsible for the timing of the change of borrower application or for the wider circumstances at that time. There would have been some inconvenience involved in changing the borrowers responsible for the account, even without any errors by Barclays. And I don't think Barclays' error led to a financial loss. Having considered what Mrs G has said, I think the compensation offered by Barclays is fair and reasonable for the *additional* inconvenience, stress and embarrassment caused by its error.

My final decision

My decision is that in addition to refunding the ERC, Barclays Bank UK PLC should pay £750 to Mr, Mrs and Miss G. Barclays can deduct from the £750 any compensation it has already paid in relation to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G, Miss G and Mrs G to accept or reject my decision before 7 June 2022.

Ruth Stevenson
Ombudsman