

The complaint

Miss C complains that Barclays Bank UK PLC didn't deal fairly with her mortgage application. She says it delayed and then reduced the amount it would lend without a credible explanation. Miss C asks for a mortgage offer and compensation.

What happened

Miss C applied to Barclays for a residential mortgage via a broker. Barclays issued an agreement in principle for about £110,000 in mid-June 2021. Ms C says Barclays reduced the amount it said it would lend four times during the application. She says Barclays changed its lending criteria part way through the application process and didn't take her buy to let income into account, which she considers to be unfair. There was an unexplained delay of 2-3 weeks and Barclays said it would only lend £53,000. It then offered £35,000.

Our investigator said Barclays was entitled to make a decision about its lending criteria, including how it assesses income. The investigator said it assessed Miss C's application fairly and in accordance with its lending criteria. Barclays offered £125 for poor communication, and the investigator said this was fair.

Miss C said her credit record was excellent and she was offered more than £110,000 by other high street lenders. She questions whether Barclays applied its policy correctly and fairly. Miss C said the issues are that Barclays:

- took too long (eight weeks) to assess her application
- reduced the amount it would lend for no reason or for a fake reason
- gave conflicting reasons for reducing the amount it would lend
- shouldn't have applied a change in policy part way through an application.

Miss C said £125 isn't sufficient compensation.

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.

Miss C said she could offer more information – for instance her communications with her broker and her credit report. This isn't necessary for me to reach a fair decision. I should also say that 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.

Lenders are entitled to determine their own lending criteria, and to make changes to their lending criteria. Lending criteria can be commercially sensitive, and lenders don't have to share them with customers. I should also say there's no guarantee that a lender will provide

funds before it issues a mortgage offer. An applicant incurs costs before this at their own risk.

That said, I'd expect Barclays to apply its lending criteria and process applications fairly.

Barclays final response letter says its lending policy changed during the course of Miss C's application, before it issued a mortgage offer. Barclays provided evidence to us which supports this. Barclays changed how commitments and income related to buy to let properties are treated in mortgage affordability assessments. As a result, Barclays didn't offer to lend the amount Miss C had applied for.

Miss C's mortgage application was submitted on or about 10 June 2021. The application was approved (for a slightly reduced amount) in early July 2021, and a valuation was instructed. The change in lending criteria took effect in mid-July 2021.

Miss C says her broker contacted her on 26 July 2021 saying Barclays had changed its lending criteria which meant her mortgage would be reduced massively. The broker hoped, given how far along the application was, that Barclays would sign it off under the old rules. Barclays says this wasn't possible. Barclays made a mortgage offer in early August 2021 for a significantly lower amount – and less than Miss C needed for her purchase.

Miss C says she's looked at Barclays website and in press reports and there's no evidence that Barclays changed its lending policy. Barclays doesn't have to publish its lending criteria. It provided evidence to us, and it says brokers were told about the change in policy. It seems likely Miss C's broker was aware of the change as she says he contacted her on 26 July 2021 saying there had been a change in Barclays lending policy.

It was unfortunate that this change came into effect while Miss C's application was being assessed, especially as it had such a significant effect on her application. But I don't think I can fairly find that Barclays made an error. As I said, it's entitled to make a commercial decision about its lending criteria, and it hadn't at this point made an offer to Miss C. While it could have made a decision not to apply the new criteria, it didn't have to do so.

Miss C says the main issue here was the time taken by Barclays to tell her it wouldn't lend the amount she wanted. I can understand that, and it must have been very frustrating to be told at a late stage in the application process that Barclays couldn't lend the amount she wanted to borrow. Had it told her earlier she could have applied elsewhere. But Miss C applied to Barclays before the change in its lending criteria. Barclays couldn't have told her at that time that it wouldn't be able to lend the amount she wanted. There doesn't appear to have been a significant delay between the new criteria taking effect and Miss C's broker telling her that this would reduce the amount Barclays would lend to her.

Barclays did make errors. Miss C says she called Barclays at the end of July 2021 and it suggested it would lend the amount she needed once it received the required documents from her. The next day she was told it would only lend about half that amount. Miss C says Barclays was unclear and gave conflicting reasons for this. I think, in part, this might be because the change in lending criteria didn't only change how buy to let commitments and income were treated, Barclays also required the income to be evidenced in a different way. Having read Barclays notes, I can understand why Miss C found the explanations unclear.

Miss C says the £125 paid by Barclays isn't enough given the gravity of its errors and the possible severity of the consequences – in particular that she could have missed out on her purchase.

It must have been stressful and inconvenient for Miss C to have to re-apply to another

lender, after going through most of the application process with Barclays. She was put into a difficult and stressful position with her house purchase through no fault of her own. Fortunately, Miss C was able to take out a mortgage with another lender (she says this was approved in only a few days), and so this didn't cause her purchase to fall through.

I don't think I can fairly find that Barclays made an error by applying its lending criteria to Miss C's application. And it didn't know – and couldn't have told Miss C or her broker – at the outset that there would be a future change in its lending criteria that would have such a significant effect on her application.

It's unclear why this matter meant Miss C had to take advice from a different broker – for which she says she paid an additional fee. I don't think I can fairly say Barclays was responsible for Miss C changing broker or require Barclays to re-imburse the related costs.

The error here was that Barclays didn't give Miss C clear information about her application after she contacted it in late July 2021. There's no doubt this was a stressful situation for Miss C and the unclear information would have added to this. Barclays says it's for the broker to update Miss C about the progress of the application. However, it accepts it could have told Miss C about the reduced loan amount directly. It offered £125 compensation. I think for the additional upset caused by not giving Miss C clear information this is fair and reasonable.

Miss C is also unhappy with how Barclays dealt with her complaint. Complaint handling isn't a regulated activity, meaning it's not something we can look into. While I can look into how a complaint was dealt with if it impacts on resolving the underlying problem (whether Barclays would offer Miss C the mortgage she wanted) that wasn't the case here.

My final decision

My decision is that Barclays Bank UK PLC should pay £125 to Miss C, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 30 September 2022.

Ruth Stevenson
Ombudsman