

The complaint

Mr and Mrs A complain that Barclays Bank UK PLC decided at a late stage that it would no longer offer them a mortgage, because they were trying to buy a property from a company they owned. But Mr and Mrs A said that Barclays had known about that from the start.

What happened

Mr and Mrs A applied to Barclays for a mortgage. They said they were clear from the outset that they were buying the house from their own company. They had a buy to let property owned by a company, which they in turn owned. They wanted to buy the house so they owned it directly. The application was going through, and Mr and Mrs A supplied further details, but they said Barclays then suddenly decided not to lend to them after all, because they were buying the house from their company, which Barclays had known from the start.

Mr and Mrs A wanted Barclays to honour its initial offer. But if it wouldn't do that, they wanted it to pay the costs they'd incurred. They told Barclays these included £450 in accountants' costs, around £1,200 in solicitors' fees, and the costs of persuading their existing tenant to stay, after they had asked him to move out.

Barclays said this application should have been refused at a much earlier stage. It offered £200 in compensation, and £500 to cover Mr and Mrs A's costs, but it wouldn't pay any more than this.

Our investigator thought this complaint should be upheld. He felt that an offer shouldn't have been issued, because reasons for the application to be declined were known early in the application process. And it was reasonable to assume that an expectation was created by what Barclays had done. So our investigator could understand how this would result in expenses being incurred.

Our investigator didn't think Barclays had to pay the costs of Mr and Mrs A's accountant, or the costs they said they'd incurred in persuading their tenant to stay, because Mr and Mrs A hadn't been able to fully evidence those. But Mr and Mrs A had provided considerable evidence of £1,240 in solicitors costs, so our investigator thought Barclays should pay that.

Our investigator thought Barclays' offer of £200 in compensation fairly reflected the impact of this issue on Mr and Mrs A. He didn't think Barclays had to cover the costs of a more expensive mortgage, because no further application had been made, and given the details of the mortgage it wasn't certain an application would be accepted by another lender.

Barclays agreed to make this payment, but Mr A replied on behalf of himself and Mrs A, to say they didn't agree. They didn't say why. They did ask for their complaint to be considered by an ombudsman, so it was passed to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

Like our investigator, I think it's very likely that Mr and Mrs A will have incurred some costs, due to their mortgage offer being withdrawn at a late stage. So I've thought about what it's fair and reasonable to ask Barclays to pay.

Mr and Mrs A have provided an accountant's invoice, but it doesn't specify what the work was for. Mr A's accountant has since contacted us and said this was for work done in supporting Mr A's mortgage application. However, Mr and Mrs A haven't been able to show us payments of this amount being sent to an accountant. And this sort of cost isn't always part of a mortgage application. It does seem to me that at least some of the information that Mr and Mrs A may have used to support a mortgage application is also likely to have been work that they would need to commission in any event.

Similarly, Mr and Mrs A have not been able to evidence the costs they say they incurred in persuading their existing tenant to stay in the property.

For those reasons, I agreed with our investigator that it's less clear that these costs were incurred, and were entirely attributable to Barclays's mistake. For that reason, I don't think Barclays has to reimburse these costs.

But Mr and Mrs A have shown they made the following payments to a solicitor -

- 29 March for £700
- 21 June for £450
- 24 June for £90.

Although these payments predate Mr and Mrs A's application to Barclays, their solicitor has confirmed to us expressly that this money was used toward the legal fees for purchase of this property. So I think Barclays should refund these costs to Mr and Mrs A.

I don't think it's reasonable to ask Barclays to reinstate this mortgage. Barclays has also noted that it had become concerned about whether Mr And Mrs A could afford the repayments, and for that reason, I don't think it would be fair and reasonable to both sides to insist that Barclays lends Mr and Mrs A the money they wanted.

Mr A suggested that alternatively Barclays should be asked to cover the costs of a mortgage obtained elsewhere, as rates had now risen. But as our investigator noted, Mr and Mrs A haven't yet secured a mortgage, and I agree with him that it seems likely this is because of the particular circumstances of their purchase. I don't think Barclays is responsible for this further delay in securing the lending they wanted, and I don't think it has to pay additional costs due to rising interest rates in the meantime, if they are able to get a mortgage in future.

I've asked Barclays to pay some costs I think were incurred as a result of its late decision not to lend. But I also think that this application put Mr and Mrs A to some trouble, and then caused some upset when it was withdrawn. Barclays has offered £200 to cover the distress and inconvenience that this matter caused to Mr and Mrs A, and I'm satisfied that this provides a fair and reasonable outcome to that part of their complaint.

It doesn't look like Mr and Mrs A accepted Barclays' lower offer of payment, but I'll allow Barclays to count any payment it has already made to them for this complaint, in case they changed their minds about this.

My final decision

My final decision is that Barclays Bank UK PLC should pay Mr and Mrs A £1,240 to cover solicitors' costs, and £200 in compensation. Barclays Bank UK PLC can count towards that amount any payment it has already made to Mr and Mrs A for this complaint.

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

Esther Absalom-Gough

Ombudsman