

The complaint

Mr and Mrs B complain that Barclays Bank UK PLC (“Barclays”) was wrong to reject their request for an amendment to a mortgage offer on the basis that the offer had expired in October 2020, as the offer letter stated that the offer would be valid until January 2021. They would like to be put in the position they would have been in had the mortgage offer been amended as requested.

What happened

Mr and Mrs B applied for a mortgage with Barclays through a broker. The application was submitted on 11 February 2020 and an offer issued on 26 February 2020 which was due to expire on 11 August 2020 (“the first offer”). The buyer for their property pulled out and as a result they withdrew from the purchase of their new property to await a new buyer. In May 2020, Mr and Mrs B secured a new buyer and a new property and requested an amendment to their original offer in June 2020 through the broker. They received a new offer on 1 July 2020 with a new expiry date of 1 January 2021 (“the second offer”). Unfortunately, the buyer for Mr and Mrs B’s property pulled out and they also lost the property they were intending to purchase. In October 2020, Mr and Mrs B had found another new buyer and also found another property they wished to purchase. They requested another amendment to their mortgage offer. However, this was declined and Barclays told the broker this was due to the product no longer being available.

It later became apparent that Barclays had undertaken a valuation on the new property and its mortgage team had continued to progress the application despite the amendment request being rejected. Mr and Mrs B’s broker contacted Barclays to query why the amendment had been declined and was told that the information provided previously was incorrect. They were then told that the reason the amendment had been declined was because the offer had expired on 11 August 2020, six months after it had first been submitted. Barclays said that what should have happened when the offer was amended in May was that a manual offer condition should have been added to confirm that the second offer would still reflect the original expiry date but that this had not been done.

As a result of Barclays’ decision, Mr and Mrs B completed a new mortgage application with a different lender which resulted in an increased interest rate from 1.51% to 2.89%, which they say raised their monthly payments by around £400 a month. Mr and Mrs B say that they have incurred further costs including approximately £500 for the valuation fee with the new lender, approximately £1,900 for an extended period in rental accommodation whilst waiting for their new mortgage offer and approximately £400 for an extended period of having their furniture in storage. They also say that on top of this they have faced additional stress and inconvenience in dealing with an unnecessary new mortgage application and complaint process which could have been avoided had Barclays not made the error and honoured its offer.

Mr and Mrs B say that the offer amendment provided in May 2020 was at a time when the government was requesting lenders to assist customers during periods of difficulty due to COVID and was asking banks to look to extend their mortgage offer period. They say that they understand lenders were offering up to a six-month extension which corresponds with the expiry date on the amended offer.

Barclays contacted Mr and Mrs B by phone on 23 February 2021 and told them that it was upholding their complaint in full as the correct expiry date should have been 1 January 2021. It requested proof of their costs, which they sent by email the following day. Following this, on 25 February 2021 another agent from Barclays called Mr and Mrs B to inform them that his colleague had wrongly communicated that it would be settling the complaint in full and that it would only be offering a gesture of goodwill.

Barclays says that it made an error by quoting 1 January 2021 as the expiry date on the second offer. As Mr and Mrs B's application was submitted on 11 February 2020 and offers are valid for a maximum of six months, the expiry date was set for 11 August when the application was initially submitted. Barclays says the expiry date in the second offer should have matched this date but appears to have been entered manually in error. As Mr and Mrs B requested to change the property address in October 2020 there was no scope to continue with the application.

Barclays accepted the error and acknowledged that this misled Mr and Mrs B into submitting a change in property request. However, it didn't accept liability for any costs Mr and Mrs B incurred through having to get the mortgage through a new lender, as it was of the view that this could be attributed to the issues they experienced with the purchase of the second property which led to them having to find a new property to purchase. It therefore offered Mr and Mrs B £400 in respect of the distress and inconvenience it had caused them.

Our investigator looked at this complaint and found that the main error was that Barclays included the incorrect expiry date on the second offer it issued in July 2020. Had the correct date been included, he thought it was unlikely that Mr and Mrs B would have been able to find another property and complete on the mortgage before the offer expired in August 2020. As the purchase of the property subject to the second offer had fallen through, Mr and Mrs B wouldn't have been able to secure another mortgage offer until they had a property in place to buy. Their new property wasn't found until October 2020 so this was the earliest point they could have restarted the application process. Therefore, our investigator didn't think Mr and Mrs B would have been able to take advantage of the rate they had been offered by Barclays and so Barclays should not be held responsible for the higher rate they had to take with a different lender as they would have been in this position even if Barclays hadn't made the error.

However, the investigator thought that, had Barclays included the correct date in the second offer, Mr and Mrs B were likely to have started the process for getting a new mortgage in place much earlier. Because Mr and Mrs B had to restart the application process with a different lender, this caused them to incur additional costs in renting accommodation and storing furniture whilst waiting for the application to go through. Therefore, our investigator asked Barclays to refund these costs with interest in addition to the £400 compensation for the stress and worry caused to Mr and Mrs B as a result of Barclays' error.

Mr and Mrs B disagreed with this so the case came to me to make a decision. Barclays had not indicated whether or not it agreed with the view. Mr and Mrs B said that they believed the second offer was a new offer as opposed to being an extension of the first offer. Therefore, they said that the expiry date was valid and was not an error. Mr and Mrs B also said that had Barclays not made the mistake on the second offer, they would always have had to make a new application as the expiry date would not have allowed them to continue with the purchase of the second property. Whilst the purchase ultimately fell through, this was not until after they received the second offer. So Mr and Mrs B said that had the second offer said that the expiry date was 11 August 2020, they would have proceeded with a new mortgage application with another lender at a rate of 1.44% in order to be able to continue with this purchase.

I set out in my provisional decision dated 3 August 2022 (reproduced below) why I was minded to uphold Mr and Mrs B's complaint. I invited both parties to let me have any further comments and evidence by 31 August.

Mr and Mrs B confirmed that they were happy with the provisional decision. Barclays responded with further submissions in respect of how it should put things right and I addressed those points in a second provisional decision dated 13 October 2022 (reproduced below). I invited both parties to let me have any additional comments by 27 October 2022. Mr and Mrs B have indicated that they have no further information to submit and Barclays agrees with the outcome.

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.

In my first provisional decision I set out the following:

Firstly, I will consider what should have happened with the second offer in this case and then I'll go on to look at what I think Mr and Mrs B would have done had things happened as they should have, in order to put them back in the position they would have been in had nothing gone wrong.

I have seen the mortgage offer dated 1 July 2020 which clearly states that 'This offer is valid until 01 January 2021'.

I can see from Barclays' internal notes that there was some confusion within Barclays about what should have happened, and whether the expiry date of the second offer should have been 11 August 2020 or 1 January 2021. This is also reflected in the fact that Barclays initially told Mr and Mrs B that it would provide full compensation to reflect the fact they had taken out a product on a higher interest rate with a new lender but subsequently contacted them to say it would only be providing a payment for distress and inconvenience.

Barclays has now provided a copy of its policy on mortgage offer validity. This states that a mortgage offer is valid for a six-month period from the date the mortgage submission is received. The policy says "Any offer that does not complete within this period must be re-submitted as a new application with the exception of "New Build Purchase" applications which can be assessed against current lending guidelines with refreshed credit search and re-offered for a further period of 6 months with the existing product or a product from the current range."

As Mr and Mrs B were not purchasing a new build property, there was no scope for Barclays to add a further six-month period onto the existing offer under its policy. Mr and Mrs B had not submitted a new application at this stage so the second offer following the amendment would have been valid for six months after the initial mortgage submission. I am therefore satisfied that the second offer should have said that it was valid until 11 August 2020 and that the expiry date of 1 January 2021 was given in error. Therefore, Mr and Mrs B would have had to submit a new application if their purchase hadn't completed by 11 August 2020.

I will now go on to consider what I think would have happened had the offer contained the correct expiry date of 11 August 2020.

Mr and Mrs B say that, had they been informed at the time that the expiry date was an error, then they would have applied for a new mortgage at that point. Mr and Mrs B have said that they would have made a new mortgage application with another lender at a rate of 1.44% in order to be able to continue with the purchase of the second property and that the new mortgage recommended by the broker was with a lender which – like Barclays – would have allowed them to use it for a different property. Therefore, even if the purchase of the second property fell through (as it ultimately did), then they would have been able to amend this between October and December 2020 to buy a new property, which would have avoided the issues caused

because of Barclays' error. Mr and Mrs B say they would have had an offer at a similar rate to the one they had with Barclays, with a new six-month window to complete. They say that there was a significant difference in rates between then and October when they were finally forced to apply for a new mortgage.

Our investigator didn't think Mr and Mrs B would have done anything differently had they realised the offer expired in August, for the reasons I've outlined above. However, I disagree with this.

Mr and Mrs B have provided a copy of various correspondence between themselves and their mortgage broker showing that they had asked at the end of June 2020 if Barclays would extend the offer period due to the time it would have taken to complete on the second property they had found and queried whether they would have to make a new application. The broker responded saying that he had been told that Barclays wouldn't extend the offer by more than two weeks but that reapplying would be fairly straightforward. Mr and Mrs B emailed the broker once the second offer had been received to inform him that the expiry date was January 2021 and stating that "It looks like they may have had a change of heart on the extension". Their broker responded saying "I believe that essentially this is a new offer, rather than an extension of an existing offer."

I've also listened to a call between Mr B and the mortgage broker on 30 June 2020 relating to the purchase of the second property. Mr B expresses concern about the offer expiring as he says that completion was looking likely to be the end of September. He says that he would be looking at doing a new application if the offer expires. The broker notes that Barclays are "pretty much the only lender" who are not extending offers in the context of the pandemic which he appreciated was frustrating.

Having considered the contemporaneous records of discussions between Mr and Mrs B and their broker, I am satisfied that it is most likely that they would have made a new application at this point had they known the second offer would expire in August 2020. At the time the offer was produced on 1 July 2020, they were still intending to purchase the second property and this was unlikely to complete by 11 August 2020. Therefore – in line with Barclays' policy set out above – they would have had to submit a new application. It is my view that the discussions which took place prior to the second offer being received made it clear that both Mr and Mrs B and their broker thought it likely that they would have to make a reapplication if the offer date wasn't extended.

The investigator mentioned that, as the purchase of the second property had fallen through, Mr and Mrs B wouldn't have been able to get another offer until they found a new property in October 2020. But the sale of the second property didn't fall through until 20 July 2020. So I think that Mr and Mrs B would have made a new application prior to this for the reasons set out above. I can't see any reason why this wouldn't have been successful as there is nothing to suggest their circumstances had changed over this period. I also think it most likely that they would have been able to amend this offer for the property they found in October 2020 (which was purchased for a lower value than either the first or second property had been agreed at) as a new offer would still have been valid at that point.

I have considered what Mr and Mrs B have said about making a new mortgage application with another lender at a rate of 1.44% in order to be able to continue with the purchase of the second property. They have provided some evidence of their personal records which show various rates from different lenders, including a rate from another lender at 1.44% for a two-year tracker product. However, these records also show the rate of 1.51% from Barclays for the two-year fixed rate, so it appears that these rates relate to earlier than July 2020 (as Barclays' rates had increased by then for this product). Mr and Mrs B have also provided some records from their

broker to show rates in July 2020 and say that their broker has told them he would have advised them to apply for a mortgage with another lender at 1.74% had Barclays not made an error and sent the second offer.

I have considered the evidence provided and on balance I think it's most likely that they would have reapplied to Barclays for a new offer had the second offer showed the expiry date of 11 August 2020. I say this because at this stage (1 July 2020) they were already in the process of purchasing the second property and it is likely that it would have involved more delay had they started a new application with a different lender. I have also borne in mind the contemporaneous correspondence between Mr and Mrs B and their broker on 30 June 2020, in which he refers to reapplying being fairly straightforward. This would also suggest that the intention was to reapply to Barclays as opposed to starting a new application with a different lender.

In summary, I am satisfied on balance that, had Mr and Mrs B been told the second offer would expire on 11 August 2020, they would have submitted a new application to Barclays for the second property. I also think it's most likely that they would have successfully amended this offer for the property they found in October 2020.

In light of this, it is my provisional view that Barclays should pay Mr and Mrs B the difference between the mortgage payments they would have made had they submitted a new application with it in July 2020 and the payments they have made for the mortgage that they had to take with a new lender for the period of the fixed rate (two years). I don't think that Barclays needs to pay the difference after the fixed rate period as Mr and Mrs B's mortgage would have reverted to the standard variable rate after this, which would be similar to that of the new lender they ultimately took their mortgage out with. It appears from contemporaneous trade publications that in July 2020, Barclays' interest rate for a two year fixed rate based on 85% loan to value (LTV) (as per the first and second offers) would have been 1.99% but Barclays are invited to clarify this in response to this provisional decision.

I'm also satisfied that, as a result of Barclays' error, Mr and Mrs B incurred additional costs in storing furniture and renting accommodation. This is because when the error became apparent Mr and Mrs B had to start a new application from scratch with a different lender and had to wait for the application to go through. Had they known that the second offer expired in August 2020, I think that they would have made an application earlier as set out above and everything would already have been in place subject to the offer being amended for the new property. So I think Barclays should also refund the additional costs incurred by Mr and Mrs B in rental accommodation and furniture storage for the time they were waiting for the application to be approved. Mr and Mrs B have provided an email showing a request for rent of £1,900 for the additional month of accommodation and an invoice for £1,488 for the storage of goods for four weeks and removal from storage to the new property. I request that Mr and Mrs B provide proof of payment showing the dates these payments were made in response to this provisional decision.

I've also gone on to consider the further impact of the error on Mr and Mrs B. Clearly the purchase of their home was a stressful experience and I think finding out that the second offer had already expired when they found the third property would have been worrying and frustrating, particularly after two sales had already fallen through. This was compounded by the fact that they were initially told by Barclays that it would fully compensate them and it asked them to provide a copy of all receipts, and then the following day they were told that this was also incorrect. I have considered all of the factors and am of the view that Barclays should compensate Mr and Mrs B in the sum of £400 for the trouble and upset caused as a result of its error.

Following the first provisional decision, Mr and Mrs B said they were happy to accept this subject to Barclays confirming the relevant interest rate it would have offered in July 2020. Barclays confirmed that the rate of 1.99% referred to in the provisional decision was correct.

Barclays made some further submissions in relation to how it should put things right and I addressed these in my second provisional decision as follows:

In respect of the proposed direction to pay Mr and Mrs B the difference between their mortgage payments on the product they took out with a different lender (two year fixed rate of 2.89% until 31 December 2022) and the payments they would have made had they made a new application with Barclays in July 2020 for a two year fixed rate product on 85% loan to value at 1.99%, Barclays requested a copy of Mr and Mrs B's mortgage offer letter from the other lender. This will be provided further to this decision.

In respect of the storage costs of £1,488, Barclays said that the invoice provided covered the costs of storage and removal. It said that it would only cover the cost of storage incurred from the day the mortgage would have completed and requested a copy of the invoice showing the cost of storage without the removal costs.

I have considered this and understand Barclays' view that it shouldn't pay the removal costs as Mr and Mrs B would have had to pay these in any event. However, had Barclays not made the error and caused a delay in Mr and Mrs B moving into the new property, then they would have moved directly from the old property to the new property. So, whilst Mr and Mrs B clearly would have had to pay some removal costs regardless of Barclays' error, it is my view that they had to pay more in removal costs due to the fact that their belongings had to be moved twice – once from their old property to storage and once from storage to the new property.

Mr and Mrs B have confirmed that had they moved directly from one property to the other they would have had to pay £1,350 for the packing and removal of goods and £120 for dismantling beds plus VAT. They have provided a copy of the invoice from the removal company for £2,148 dated 23 October 2020 for the cost of the move from the old property to storage. I've also seen a screenshot from Mr and Mrs B showing a bank payment for £2,148 to the removal company on 20 October 2020.

Mr and Mrs B have said that they had to pay a further £1,000 plus VAT for the second move in addition to the storage costs. They have provided a copy of the invoice from the removal company for £1,488 dated 14 December 2020 for the cost of the move from the storage to the new property. I've also seen a screenshot from Mr and Mrs B showing a bank payment for £1,488 to the removal company on 14 December 2020.

In light of the above, I am satisfied that Mr and Mrs B paid for two lots of removals in addition to storage. I don't think any of the costs on the second invoice would have been incurred by Mr and Mrs B were it not for Barclays' error as they would only have had to move their belongings once from the old property directly to the new property. So I remain of the view that Barclays should pay the entire cost on the second invoice in respect of the second removal and storage.

In respect of the rental payment of £1,900, Barclays requested a copy of the rental agreement and suggested that this would be subject to the deduction of the contractual monthly mortgage payment for that month, as it says that Mr and Mrs B would have either been making a payment for the mortgage or for rent.

Mr and Mrs B have provided a copy of an email dated 10 November from the owner of the short-term rental to Mrs B requesting payment of £1,900 for the period from 19 November to 19 December 2020 and requesting two weeks' notice when they have a moving date. I've also seen a screenshot from Mr and Mrs B showing a bank

payment for £1,900 to the owner on 12 November 2020 and a receipt. So I'm satisfied that Mr and Mrs B paid £1,900 in rent for a month because of the delay in waiting for the new mortgage application to be approved.

I have carefully considered Barclays' submission that Mr and Mrs B would have paid either rent or mortgage over this period, so it shouldn't be required to refund the full rental amount. Having considered this, I agree it's reasonable for Barclays not to cover all of the rent on the basis that Mr and Mrs B would have paid either this or the mortgage. However, had the mortgage started a month earlier – as it would have done without Barclays' error – then the capital part of the monthly repayment would have reduced Mr and Mrs B's mortgage balance over that period. Due to the delay, the balance owed effectively remained the same as the mortgage started a month later than it would have done. The contractual monthly payment for the new mortgage was £2,740.76, consisting of £1,408.86 interest with the remaining £1,331.90 going towards repayment of the capital. Therefore, I don't think it is fair for Barclays to offset the capital part of the monthly repayment against the rent as, had this been paid a month earlier, the mortgage balance would have reduced by £1,331.90. However, I do think it is fair for the interest part of the mortgage payment to be deducted from the amount Mr and Mrs B paid in rent so this leaves £491.14 in respect of the accommodation.

Barclays has agreed to compensate Mr and Mrs B £400 in respect of the distress and inconvenience caused.

Mr and Mrs B have indicated that they have no further information to submit and Barclays agrees with the outcome. In light of this I see no reason to depart from my reasoning in the provisional decisions.

Putting things right

For the reasons I've explained above I require Barclays to:

- Pay Mr and Mrs B the difference between their mortgage payments on the product they took out with a different lender (two-year fixed rate of 2.89% until 31 December 2022) and the payments they would have made had they made a new application with Barclays in July 2020 (two-year fixed rate of 1.99%) up to the end of whichever two-year fixed rate period would have ended soonest.
- Pay Mr and Mrs B £1,488 in respect of the cost of the additional storage and removal due to the delay in having to apply for a new mortgage with a different lender once Barclays' error was identified.
- Pay Mr and Mrs B £491.14 in respect of the cost of their accommodation (£1,900) less the amount of interest they would have paid had the mortgage started a month earlier (£1,408.86) due to the delay in having to apply for a new mortgage with a different lender once Barclays' error was identified.
- Pay Mr and Mrs B 8% simple interest in respect of the above, calculated from the date each respective payment was made by Mr and Mrs B to the date of payment. If Barclays considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs B how much it's taken off. It should also give Mr and Mrs B a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.
- Pay Mr and Mrs B £400 in respect of the distress and inconvenience (if it has not already done so).

My final decision

For the reasons I've explained above and in my provisional decisions I uphold this complaint against Barclays Bank UK PLC and require it to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 25 November 2022.

Rachel Ellis
Ombudsman