

The complaint

Mr and Mrs C complain that Barclays Bank UK PLC (“Barclays”) unfairly turned down their application to port their existing mortgage and take out further borrowing.

What happened

Mr and Mrs C, existing customers of Barclays, applied to port their existing mortgage and take out further borrowing to facilitate a house move. This involved relocating to a different part of the country to enable a change in employment following Mr C’s transition from the Armed Forces.

At the time of the application, Mr C had secured new employment due to start in September 2022 and was in receipt of his employment contract. He had also received a lump sum from the Armed Forces as part of his transition and was in receipt of a monthly pension.

Mr and Mrs C had an initial affordability assessment with Barclays in July 2022. At this stage, they say they were led to believe that their application would be a smooth process and that Barclays would take into account and understand that Mr C was transitioning from the Army and with this, there would be a gap in his employment and income.

Prior to his pre-booked appointment to complete his mortgage application, he was contacted by Barclays in August 2022 and told he would need to provide payslips from his new role before it would continue with his application. Mr C explained he would be unable to do this as, at the time, he thought his new property would be ready in early to mid-September which was before his intended start date at his new role. He set out that he needed the mortgage offer from Barclays to enable the house move to go ahead so he could relocate his family ahead of his new role starting at the end of September.

Barclays maintained its position that it would not continue with the mortgage application until Mr C was able to provide payslips from his new role. Given the wider circumstances, Mr and Mrs C chose to approach a new mortgage broker and ultimately secured a new mortgage with a different lender – redeeming their mortgage with Barclays and paying its early repayment charge (ERC).

To resolve the complaint, Mr and Mrs C asked that Barclays refund the ERC. They also asked that it amend its policy for Armed Forces veterans and personnel to better comply with the Armed Forces Covenant and to prevent others from experiencing the distress and inconvenience they had experienced.

Barclays did not uphold Mr and Mrs C’s complaint, so they chose to refer their case to our service.

One of our investigators reviewed Mr and Mrs C’s complaint but did not think it should be upheld. In summary, he thought Barclays had acted fairly and in line with its role as a responsible lender when it sought additional evidence from Mr C (in the form of payslips) before proceeding with the mortgage application. He also thought the terms and conditions applicable to Mr and Mrs C’s existing mortgage allowed Barclays to apply an ERC in the

circumstances.

Mr and Mrs C disagreed with the investigator's conclusions. In summary they said:

- The assessment permits Barclays to rely on its "standard policy" procedures, essentially allowing it to operate without any "fair or due consideration to the unique needs and financial wellbeing of its customer".
- They disagree that Barclays needed or were asking for the payslip to show the mortgage was affordable. Instead, they believed they passed Barclays' affordability assessment during the initial meeting in July. As such, Mr and Mrs C think the investigator's references to needing to evidence affordability are "irrelevant" to their complaint.
- Mr and Mrs C say that as another lender agreed to lend to them in lieu of the payslips, this shows Barclays made an "unfair and unethical" decision not to support their application. And that it shouldn't have then applied the ERC knowing they would have no choice but to pay it as they had to go elsewhere for a mortgage.
- Barclays is in breach of the Armed Forces Covenant. The covenant is meant to "challenge" standard policy and add a human touch to decisions such as these. Barclays committed to upholding the covenant, but it hasn't done so in this case.
- There was no risk to Barclays as it would have received payslips once Mr C started working, which in the end, turned out to be before they needed the mortgage to complete due to delays with the new house. It should've recognised this lack of risk and granted the mortgage.

As the complaint could not be resolved informally, it has been 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.

When considering what is fair and reasonable in all the circumstances, I am required by DISP 3.6.4R of the Financial Conduct Authority's ("FCA") Handbook to take into account:

'(1) relevant:

- (a) law and regulations;
- (b) regulators' rules, guidance and standards;
- (c) codes of practice; and

(2) (where appropriate) what [I consider] to have been good industry practice at the relevant time.'

I also focus on what I think is material and relevant to reach a fair and reasonable outcome. So, although I have read everything that has been supplied to me, I may not address every point that has been raised.

Having done all that, I have concluded that Barclays does not need to do anything further to resolve the complaint. I recognise that this will come as a disappointment to Mr and Mrs C and that they feel very strongly that Barclays has done something wrong. But I hope my explanation helps them to understand why I've reached the conclusion that I have.

Mr C believes Barclays failed to honour its commitment to the Armed Services Covenant to which it is a signatory. Both Barclays and Mr C are aware of the Armed Services Covenant and its intention, so I have not set out Barclays' full corporate pledge to the covenant in this decision or gone into extensive detail as to its aims. But in summary, the key principles of the Covenant are that:

- *No member of the Armed Forces Community should face disadvantage in the provision of public and commercial services compared to any other citizen.*
- *In some circumstances special treatment may be appropriate especially for the injured or bereaved.*

Mr C considers that as a signatory to the Covenant, Barclays ought to have gone outside of its usual lending policy and granted him a mortgage to reflect that he is an Armed Forces veteran whose gap in employment was by virtue of having been in the Forces and was out of his control. I disagree.

While Barclays is a signatory to the Covenant, it is also entitled to set and rely on its own lending criteria when deciding whether to amend existing finance and/or grant new lending. The purpose of the Covenant is not to 'challenge standard policy' as Mr C suggests or to circumnavigate a lender's lending criteria. Instead, it is to ensure members of the Armed Forces community are not disadvantaged compared to any other citizen.

I'm aware that Mr and Mrs C believe they had passed the affordability criteria in their first meeting with Barclays in July 2022. However, a decision in principle is not the same as a mortgage offer nor is it binding on the lender. So, it is a relevant consideration to refer to Barclays' lending and affordability criteria when determining this case.

In seeking to port their mortgage and take out further borrowing, Mr and Mrs C are in effect asking Barclays to amend and increase their mortgage. This will and did trigger an affordability assessment which involves Barclays assessing their circumstances against its internal lending criteria while also taking into account their personal circumstances, which would include Mr C's employment history.

Barclays' affordability criteria require evidence of actual verified income rather than future income and normally in the form of payslips. It also requires an applicant to be in continuous employment for the three months prior to the application with no gaps.

In Mr C's circumstance, he was not currently employed at the time of his application and he was not able to evidence his income with payslips at that point in time (I am aware he had other forms of income).

While Mr C says the gap in employment, and therefore the ability to provide payslips, was outside of his control and a result of having been in the Armed Forces, I do not think Barclays seeking to ensure he was able to afford the borrowing was it acting unfairly. Nor do I think it was treating Mr C differently to any other consumer or disadvantaging him by virtue of him being a member of the Armed Forces community. It was not the fact that Mr C was transitioning from the Armed Forces that led to Barclays seeking more information. It was because the start date of Mr C's new employment meant he had a gap in employment and

income – this would be the same for any consumer transitioning between roles which resulted in a gap.

It follows therefore, that I think Barclays acted in line with its obligations as a responsible lender in seeking to ensure Mr and Mrs C could afford the mortgage they were applying for. I do not think Barclays treated Mr and Mrs C any differently to any other consumer nor do I think it has used Mr C's employment history in the Armed Forces to his disadvantage.

I am aware another lender agreed to grant Mr and Mrs C finance, but this does not mean I should uphold this case. Each lender will have its own lending criteria that it will apply to applications for finance, one lender agreeing to finance does not mean that another lender who declined finance has acted incorrectly or unfairly.

As Mr and Mrs C redeemed their mortgage with Barclays during the initial fixed-interest period, it was entitled under the mortgage contract to apply an ERC and other related fees for exiting the mortgage.

I can fully appreciate that this would have added further frustration to what Mr and Mrs C had gone through with Barclays at what was undoubtedly a stressful time. However, the ERC was a condition of their mortgage contract and Barclays has acted in line with said contract when applying the charge. I'm aware Mr and Mrs C think Barclays should use its discretion and refund this fee given they didn't want to redeem their mortgage and instead felt forced to do so. But as Barclays is entitled to apply the ERC and as I haven't found that it has done anything wrong in seeking to verify Mr C's income before granting finance, it would not be appropriate for me to direct Barclays to do so.

Overall, having taken everything into account, I think Barclays has acted reasonably and in line with its role as a responsible lender. So, I do not think it needs to do anything further to resolve this complaint.

My final decision

For the reasons set out above, I do not uphold this complaint and I make no award against Barclays Bank UK PLC

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 2 April 2023.

Lucy Wilson
Ombudsman