DRN-4186559

The complaint

Mr and Mrs A's complaint about Barclays Bank PLC (Barclays) relates to the advice they received from a Barclays' mortgage advisor (MA) which they believe delayed their mortgage application. That, they feel, led to them being only able to obtain a mortgage with a higher interest rate, causing them loss.

What happened

Mr and Mrs A applied for a mortgage with Barclays. They had been Barclays' customers for over a decade. A decision in principle (DiP) was issued on 13 March 2022 at which time there were mortgages with rates of 1.95% fixed for two years and 2.22% fixed for five years available. Mr and Mrs A say they passed Barclays' affordability checks and an appointment was fixed for them to see a MA on 12 April 2022, which they did. They then uploaded certain documents, as instructed, and a further appointment was fixed for 4 May 2022.

Mr and Mrs A say the MA advised that the 'balancing payments' and 'payments on account' which appeared on Mrs A's 2021/22 'Tax Year Overview' (TYO) were to be classed as a liability and would need to be debited from Mrs A's self-employed net profit figure. The effect of doing that made the mortgage unaffordable and because of that the MA then cancelled their next appointment.

Mr A challenged the MA over the following three to four weeks during which period the mortgage rates increased. Mr and Mrs A then spoke to another MA on 24 June 2022 who advised that 'balancing payments' and 'payments on account' would not be classed as a liability. By this time the mortgage rates had increased again, and Mr and Mrs A say that although Barclays investigated to see whether it could offer them a mortgage at the initial rates quoted, it ultimately said it could not.

Mr and Mrs A then contacted a different MA whom they had previously used. They say that this MA obtained a mortgage for them within two and a half weeks of their making an application. Mr and Mrs A finalised this mortgage at the end of July 2022 at a rate of 3.1% fixed for five years and say that as a result of the higher interest rate they have incurred a loss of just over £9,700.

Barclays accepted that its first MA ought to have submitted Mr and Mrs A's mortgage application without attaching the TYO document. It accepts that its second MA's advice conflicted with the first, although it also points out that the underwriter may have asked to see the TYO anyway, or to see evidence of how Mrs A intended to pay her tax liability. Had he/she done so, it might have meant the application was not approved in any event. But, having accepted that Mr and Mrs A were given the wrong information by the first MA, Barclays offered £350 to reflect the distress and inconvenience Mr and Mrs A experienced.

Mr and Mrs A were unhappy with Barclays' final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that there had been poor service by Barclays and the amount of compensation offered was insufficient. The investigator thought £450 would be a fair and reasonable resolution. Mr and Mrs A didn't agree and asked for the complaint to be passed to an Ombudsman 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 issued my Provisional Decision on the 16 May 2023 and Mr and Mrs A replied to confirm they accepted it.

Barclays also responded but did not say whether they agreed or disagreed with it. What they did say was that they would like to see evidence of Mr and Mrs A's mortgage offer showing they secured a 5-year fixed rate at 3.1% with another lender. I believe this was supplied to them on 24 May 2023.

In the absence of any further representations from Barclays I see no reason t change my provisional decision.

Barclays has accepted that it didn't get things right and Mr and Mrs A were given wrong information by the first MA, that being that they had to submit Mrs A's TYO alongside their mortgage application, and that in doing so the mortgage they wanted was unaffordable because it showed there to be tax liabilities.

The central issue to this complaint is whether that misinformation caused Mr and Mrs A to miss out on the cheaper mortgage rates which were initially available. In the period covering this complaint, the Bank of England base rate rose on 5 May 2022 and 16 June 2022 and the rates offered by Barclays increased correspondingly.

The timeline of events shows that on 12 April an appointment was fixed for some weeks later for Mr and Mrs A to see the MA. The day before the appointment, on 3 May, Barclays accept that their MA told Mr A that because the TYO showed that there were payments to make, there may be a problem if an application was submitted at that point in time because the mortgage was unaffordable. She suggested making further enquiries with HMRC regarding the TYO in order to be able to prove that Mr and Mrs A did not have a liability and in fact had paid the tax upfront.

The mortgage rate rose the following day, on the 5 May, and so even if Mr and Mrs A had made an application the day before when they met the MA, the rate increase would have come into effect and been applied to any mortgage offer Barclays could have issued, as it is highly unlikely a mortgage offer could have been issued before the rise took place. I know Mr and Mrs A say that it wasn't until the 13 May 2022 that were they told by the first MA that the mortgage was unaffordable, and their application would not be accepted, but the transcript of the call on the 3 May shows otherwise.

On 13 May the first MA told Mr and Mrs A that there was nothing more she could do and if an application was made with the TYO showing what it did, it would mean the application would be refused. Based on that Mr and Mrs A didn't make an application.

Mr and Mrs A decided to see another MA whom they had used before, and their first contact was on 9 June. On that day they received a DiP, following which they received a mortgage offer from a different lender some three weeks later on 30 June.

Barclays have accepted that the first MA gave incorrect advice, which the second MA confirmed to Mr and Mrs A on 14 June.

So, if on 4 May, Barclays had given Mr and Mrs A the correct advice – the advice given on 14 June, it is more than likely that Mr and Mrs A would have submitted their application at that time. It is likely that their application would have been processed and dealt with well before the 16 June rate rise.

The question which follows of course is whether Barclays would have approved the application, since as Barclays have pointed out, the underwriter may have called for further evidence, including the TYO, and how any tax appearing due on it was to be paid. In that scenario it is more than likely that Mr and Mrs A would have been able to show and explain, as they ultimately did, that they had paid the tax upfront, and the mortgage was affordable for them.

I accept that different lenders will have different lending criteria, and that had Mr and Mrs A made an application with Barclays they would have been subject to a full credit search. But, I think it is more likely than not that Mr and Mrs A would have satisfied Barclay's lending criteria, given that they ultimately obtained a mortgage from another lender thus presumably satisfying any credit search and lending criteria. They were also of course longstanding customers of Barclays. So, I think it is likely Barclays would have made them a mortgage offer on a five-year fixed rate after the 5 May rate rise but before the 16 June rate rise.

Putting things right

Fortunately, Mr and Mrs A secured a mortgage with another lender before there was another rate rise on 4 August. Their new rate is 3.1% and so it follows they have suffered a direct financial loss, as a result of Barclays fixed five-year rate of 2.22% being no longer available to them. However, that 2.22% rate would have risen after the rate rise on 5 May. It is not clear to me what precisely that rate would have been since Barclays offer different products, but it should be possible for Barclays to identify the correct product by reference to the product Mr and Mrs A had indicated they initially wanted. The loss Mr and Mrs A have suffered can be calculated by then applying the difference between the rates they did achieve and the rate they would have had after the 5 May and taken over a five-year period.

I've also given some thought as to what a fair and reasonable level of compensation might be for the distress and inconvenience caused to Mr and Mrs A. When this service considers what an appropriate level of compensation might be, we consider a variety of factors, including the trouble, upset, distress and inconvenience that may have been caused. We categorise awards and examples of these can be found on our website. I know Barclays offered £350 which our investigator increased to £450, but in the light of my findings and provisional decision effectively placing Mr and Mrs A back in the position they would have been in, I think Barclays' offer is fair.

My final decision

My final decision is that Barclays Bank PLC shall;

(a) calculate, and pay to Mr and Mrs A the additional cost to them as a result of being unable to secure the five-year fixed rate mortgage which was at 2.22%, based on the difference between that rate (as adjusted for the 5 May rate increase), and the rate of 3.1% that they ultimately obtained

(b) pay Mr and Mrs A £350 for the distress and inconvenience caused to them

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A and Mrs A to accept or reject my decision before 11 July 2023.

Jonathan Willis
Ombudsman