

The complaint

Mr C and Mrs K have said that Barclays Bank UK PLC unfairly declined an application they made to remortgage a property they already owned. They held consent to let with their existing mortgage lender for the property, and wanted to remortgage onto a Barclays buy to let ("BTL") mortgage product.

What happened

Mr C and Mrs K made this application on 29 September 2022 through an independent mortgage broker. They wanted to borrow £712,500 to repay an existing mortgage of £540,000 with a different lender and raise an additional £172,500 for the purchase of another property.

On 24 October the broker submitted the information about the property Mr C and Mrs K wanted to buy ("the onwards purchase").

On 4 November Barclays asked the broker to resubmit some information as the original version contained some errors. The broker provided that information on 7 November.

The valuation was instructed on 15 November and the surveyor downvalued the property from Mr C and Mrs K's estimate of £950,000 to £900,000 which meant the maximum loan amount potentially available was reduced to £675,000.

On 19 December the broker requested the application proceed at that lower loan amount, but Barclays said the application now failed the affordability assessment. Barclays said that the rent Mr C and Mrs K paid for their residential property hadn't been included by the broker in the ongoing commitments section of the application, and there were a number of undisclosed credit commitments. Barclays declined the application, saying the maximum loan amount it could offer of just under £500,000 was less than the outstanding mortgage Mr C and Mrs K already held on that property which was around £545,000.

The broker tried to appeal against the decision and provided more information about Mr C and Mrs K's income and also said some credit commitments would be reduced. It also said their residential rental payments had been included in the original application.

On 30 December Barclays asked for evidence of the reduced balances on two credit cards, along with evidence of sufficient savings to cover the repayment of another £9,000 of credit card debt and the shortfall towards the onward purchase. It said without that information the application remained declined, albeit the potential maximum loan amount had now increased to around £550,000 (if all the required information was provided).

On 3 January the broker's access to Barclays' portal was removed due to a change in his authorisation with the Financial Conduct Authority.

On 9 January the broker emailed Barclays with some information about the affordability calculator indicating a loan amount of £440,000 was affordable and providing what he

thought was the right information about Mr C and Mrs K's income and expenditure. But the broker didn't provide the documents Barclays had asked for on 30 December.

Barclays emailed the adviser on 13 January saying:

"We are awaiting response on the case.

kindly upload the document to proceed further with the case

If you have any questions, please reply to this email and I will be more than happy to assist."

On 20 January the broker seemingly just resent his email of 9 January, this time sending it to a different department.

Barclays responded the same day. It explained that the adviser was emailing the wrong department, and he needed to email the Barclays Intermediary Support Team. However it also answered his query. It provided a further copy of Barclays's email of 30 December and said that was the reason the application was declined, and it hadn't received the information that had been requested so that decline decision could be reviewed. It provided the information that had been used in the affordability assessment and said if any of that was wrong then the broker needed to provide evidence and submit an application amendment form.

As Barclays hadn't received the requested information the application was closed on 23 January 2023. After some back and forth between the parties (with the broker again reminded not to keep emailing the incorrect department), Barclays stood by its decision to decline the application.

Mr C and Mrs K raised a complaint which Barclays didn't uphold. It said the application had been fairly declined, but it apologised for how long it had taken to respond to the complaint. For that it paid £200 compensation to Mr C and Mrs K.

Our Investigator didn't uphold the complaint. She said Barclays had assessed the application and the broker hadn't provided all the required information in January 2023, and what it did provide showed higher credit commitments than had been included in the original application. She said it wasn't unreasonable for Barclays to close the application as it hadn't received what it had asked for.

Mr C and Mrs K didn't agree and so the case was passed to me to decide.

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 recognise that Mr C and Mrs K feel very strongly about this, and I thank them for the thoroughness of their submissions. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Before I go any further I should pick up on something that was said by the broker, in that they questioned why the application passed affordability when it was submitted, only to later fail. It's because the information that was included in the affordability assessment needed to

be corrected.

For example, from Barclays notes there are two points to pick out:

- *“Car allowance seen at £521 per month or £6252 per annum this has been keyed incorrectly as 6252 per month.”*
- *“Commitments seen as follows [...] CC declared total £13000, total CC seen as £31204”. With “CC” meaning “credit card”*

The first note is saying that Mr C's car allowance had been mis-keyed as an income of £6,252 a month, rather than £6,252 a year. And the second is saying that credit card debts of £13,000 had been declared, but a much higher amount of £31,204 was seen on Mr C and Mrs K's credit files.

The broker has also said that Barclays said the application was declined, but the final maximum amount that was given was just in excess of the existing mortgage so a like-for-like remortgage could have been carried out instead. But that maximum amount was only mentioned as being possible if the information requested on 30 December was provided, which it wasn't.

And, if the application was being changed to now not wanting to do the onward purchase, the broker would have needed to complete an application amendment form setting that out and the application would have needed to be completely remodelled. It isn't enough for the broker to say Barclays should have considered a like-for-like remortgage as that is a significantly different lending proposition to what was applied for originally.

If Mr C and Mrs K instead wanted Barclays to consider a like-for-like remortgage, and they were no longer going to complete the onward purchase, then the broker would have needed to request the application be entirely amended to reflect that, with fresh underwriting then being carried out.

I understand that Barclays's affordability assessment isn't easy to follow, and a guide to how this is carried out is available to mortgage brokers. There are two parts to the assessment, the first is the Personal Solvency Review, and that includes the applicants' current commitments (excluding the BTL that is being applied for). So this part of the assessment would include Mr C and Mrs K's employment income, and the rental income for the other BTL property they owned (which was £1,700 a month, or £10,200 a year each).

That is why the rental income part says £10,200 rather than also including the rental income for the property being remortgaged or the new onward purchase's potential rental income. Mr C's bonus wasn't included as the broker hadn't provided the evidence that Barclays would require of that. This part of the assessment takes into account income (minus tax, National Insurance and any other deductions), and any existing commitments and expenditure (with mortgages calculated at a stressed rate).

After the Personal Solvency Review is carried out, Barclays then does an Income Affordability Test. That looks at the outcome of the Personal Solvency Review, the new BTL mortgage (at a stressed rate), net rental income, tax relief and associated costs of the property. Any application has to pass both those stages for the application to be agreed.

The outcome code given for this application shows the calculated net disposable income value is less than the required disposable income.

I've looked at the information Barclays recorded in its calculator and, based on the process I've detailed, I can't see any information that was proven and mis recorded. For that reason,

I don't think Barclays acted unfairly when it said it wasn't willing to lend the requested amount, and as I've said it wasn't up to Barclays to amend the application to being a like-for-like remortgage when that was a substantially different lending proposition, and in any event the broker hadn't provided the information that had been asked for on 30 December.

Mr C and Mrs K have said that neither they nor their broker were told by Barclays that the application would be closed on 23 January and I agree that was an oversight by Barclays. However, I don't think it would have made a difference here as the application was sitting at a decline stage, and if Mr C and Mrs K wanted to proceed with the loan amount of around £550,000 then the application would have needed to be remodelled anyway.

The broker was aware, on 30 December, of what Barclays needed but rather than providing it the broker instead said that the affordability assessment was incorrect.

Barclays chased that information on 13 January, by email, and it still wasn't provided with the broker instead, on 20 January, seemingly just resending his email of 9 January.

Finally, I understand Mr C and Mrs K were unhappy that their property was downvalued and they wanted to see a copy of the valuation report.

Barclays is just the mortgage lender and it relies on other professionals to do their parts in the process. Barclays doesn't have the expertise to value property, so it employs the services of a surveyor. When doing so, it's obliged to instruct a suitably qualified surveyor – a requirement that was fulfilled in this case by Barclays appointing a member of the Royal Institution of Chartered Surveyors.

Barclays isn't accountable for the conduct of the individual surveyor or any act (or omission) – including the valuation figure reached - by the surveyor or the firm they work for. All I can consider against Barclays is if it discharged its duty in instructing a suitable firm of surveyors and having considered everything I'm satisfied it did.

A valuation for lending purposes is just for the lender's benefit. It was noted on the mortgage application form that the broker had selected "*Non Disclosed Property Risk Assessment (PRA)*" which means the actual valuation report isn't intended to be disclosed to either the customer or the broker.

Whilst I've a great deal of sympathy for the position Mr C and Mrs K found themselves in, having considered everything very carefully I'm not persuaded that Barclays acted unreasonably when it wasn't willing to proceed with this application, and I also don't think the fact it didn't reopen the application altered the outcome as the information was still outstanding and the application would have needed to have been completely remodelled even if it was provided due to the substantial change in the lending proposition.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs K to accept or reject my decision before 22 April 2024.

Julia Meadows

Ombudsman