

The complaint

Mr and Mrs W complain that Barclays Bank UK PLC wrongly recorded a payment arrangement for their mortgage on their credit files. They say this caused mortgage applications to be declined. Mr and Mrs W ask for compensation for financial loss and their distress and inconvenience. They ask for the term of their mortgage with Barclays to be extended.

What happened

Barclays recorded incorrect adverse data on Mr and Mrs W's credit files between September 2020 and May 2022. Mr and Mrs W discovered this when they had an application for a buy to let mortgage declined in April 2022. Barclays said it would remove the adverse data. It then recorded further incorrect adverse data in mid-2022. It agreed to remove this.

Mr and Mrs W say their purchase of a buy to let property fell through when their application for a buy to let mortgage was declined in April 2022. They say the value of the property they wanted to purchase has since increased. Mr and Mrs W's applications to re-mortgage other buy to let properties were declined in June 2022, meaning they are on the lender's standard variable rate. And they say they were unable to obtain a residential mortgage to allow them to downsize and repay their mortgage with Barclays (the term of which expired in 2021). They say the value of their house has since fallen.

Mr and Mrs W say their broker told them that making multiple applications was affecting their credit profile and they shouldn't make further application for the time being. Mr and Mrs W's two buy to let mortgages remained on the lenders' standard variable rates.

Barclays offered £400 for the upset caused by its errors and £100 to cover Mr and Mrs W's costs of obtaining their credit reports. Mr and Mrs W say this isn't enough.

Our investigator said she couldn't be sure Mr and Mrs W's applications would have been successful but for the adverse data. She said there could have been issues with the valuation or legal issues and noted that Mr and Mrs W hadn't successfully re-mortgaged since the adverse data was removed. Our investigator said Barclays offer was fair.

Mr and Mrs W didn't agree. They provided letters from their broker, a potential lender and their solicitor which they say show that their mortgage applications and purchase fell through due to the adverse data.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

There's no dispute that Barclays made an error. It wrongly recorded adverse data on Mr and Mrs W's credit files from late 2020 to May 2022. It recorded further adverse data in mid-2022. This was removed in August 2022.

Lenders use information from credit reference agencies when making lending decisions. Mr and Mrs W provided a letter from their broker saying they were unable to proceed with a mortgage application due to adverse credit, and were declined by numerous lenders at the credit check stage. They also provided a letter from a potential lender that said their application was automatically declined due to the credit file and it didn't conduct any further underwriting.

But that doesn't itself mean it's fair to require Barclays to compensate Mr and Mrs W for losses due to their mortgage applications and purchase not progressing. For that to be fair, I'd need to decide that Mr and Mrs W's applications were declined due to the adverse data recorded by Barclays. And then decide that those applications would have succeeded but for that adverse data. I'm sorry to disappoint Mr and Mrs W, but I don't think I can fairly reach that conclusion.

The letters Mr and Mrs W provided say their applications didn't proceed past the credit check stage. But this isn't the same as confirmation the applications would have resulted in a mortgage offer but for the adverse data recorded by Barclays.

Lenders carry out checks before offering a mortgage, including checks on affordability and whether the application and the security property meet its lending criteria. Mr and Mrs W's applications were declined at an early stage and didn't go through any lender's application process. I can't be sure that the applications would have been successful or if there were other reasons why the applications might not have resulted in a mortgage offer.

Mr and Mrs W provided a letter from their conveyancer saying it had a copy of the title to the property they wanted to buy. This isn't evidence that a mortgage application would have been successful but for the adverse data recorded by Barclays.

If, after the adverse data was removed, Mr and Mrs W had made a mortgage application that resulted in an offer this might have suggested the only problem was the adverse data recorded by Barclays. Mr and Mrs W say their broker advised against making further applications due to the number of searches on their credit files. Mr and Mrs W haven't said they've successfully applied for a buy to let or residential mortgage since the adverse data was removed.

Taking everything into account, I can't fairly find that Mr and Mrs W would have received mortgage offers but for the adverse data wrongly recorded by Barclays. It follows that I don't think it's fair and reasonable to require Barclays to extend the term of their expired residential mortgage or pay compensation for the financial loss they say resulted from them being unable to obtain mortgages in 2022.

There's no doubt that this did cause Mr and Mrs W inconvenience and upset, and I think it's right that Barclays offered compensation for this. Mr and Mrs W had to contact Barclays to ask it to remove the adverse data. They say they had to call Barclays a number of times. And having agreed to remove the data, Barclays then recorded further adverse data. Mr and Mrs W had to obtain and check their credit reports. I think for the inconvenience and upset this must have caused, £400 is fair and reasonable compensation. I think Barclays offer of £100 to cover Mr and Mrs W's cost of obtaining their credit reports is also fair and reasonable.

My final decision

My decision is that Barclays Bank UK PLC should pay £500 to Mr and Mrs W, if it hasn't already done so.

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

Ruth Stevenson
Ombudsman