

The complaint

Miss R complains that Barclays Bank UK PLC wrongly recorded that she was in arrears on her buy to let mortgage, which prevented her re-mortgaging two of her other properties.

What happened

Miss R has a number of mortgages, including one with Barclays. In May 2022 she noted that Barclays hadn't collected her monthly payment even though she had a direct debit in place.

Miss R says she contacted Barclays several times to try and find out what the problem was, but ending up spending long periods on hold or speaking to people who couldn't help.

At the end of May 2022 Barclays wrote to Miss R saying that she had missed a mortgage payment, which would be reported to her credit file.

Around the same time, Miss R was looking to refinance mortgages on two other properties. She had applied for interest rates of 2.35%. But because of the arrears marker on her credit file, she wasn't able to go ahead. By the time her credit file had been corrected, the best rate she could get was 2.74%. Meanwhile, because of the failure of the first application she didn't go ahead with an application for the second mortgage, and so that moved to the lender's reversion rate.

Miss R complained. She said that she hadn't missed any payments. She had a direct debit in place and Barclays should have collected the payment as normal – and when it didn't she'd tried to sort things out without success. She wanted Barclays to compensate her for the additional interest she'd have to pay on the other mortgages.

Barclays accepted it had made a mistake. It said that the direct debit had been cancelled in error. It had now corrected Miss R's credit file. It offered compensation of £500 but said it wasn't willing to compensate Miss R for the increased interest rate because its terms and conditions said it wouldn't offer compensation for "loss of opportunity". It didn't think there was enough evidence that Miss R would have been able to get the mortgage but for Barclays' error.

Our investigator thought Barclays had made a fair offer, so Miss R asked for an ombudsman to review her complaint.

I didn't agree, so I issued two provisional decisions setting out my view on the case. In the first I explained my thoughts on the merits and asked for more information to help me determine redress; having received that information, I set out my thoughts on fair redress in the second.

My provisional decisions

In my first provisional decision, I said:

"There's no dispute that Barclays is at fault here. It accepted it wrongly cancelled the direct debit. It seems it recorded arrears for April 2022 as well as May, even though it

was only the May payment that failed. But in any case it has now reinstated the direct debit and removed the arrears markers from Miss R's credit file.

What's left for me to decide is what Barclays needs to do to fairly put things right, so that's what I'll focus on.

Barclays said that its terms and conditions say it doesn't offer compensation for "loss of opportunity". But in saying that it's relying on its current account terms and conditions – but this complaint is about Miss R's mortgage, not a current account, so they're not relevant. In any case Miss R isn't asking Barclays to compensate her for "loss of opportunity", she's asking it to compensate her for financial loss consequent on its mistake.

I'm satisfied that but for Barclays' error, it's more likely than not that Miss R would have been able to re-mortgage. There are no other adverse entries on her credit file. I'm aware from my knowledge of the mortgage industry that it's very unlikely a mainstream lender would lend with a very recent missed mortgage payment on a credit file. But as soon as the markers were removed, another mainstream lender was prepared to lend to Miss R. I think it's more likely than not that, but for the arrears marker, Miss R would have been able to obtain the mortgage she applied for.

Barclays says Miss R should have appealed. But as the lender's guidance – to which Barclays refers – makes clear, an appeal is possible but unlikely to succeed in these circumstances. And even if an appeal had succeeded, the delay is likely to mean that the 2.35% interest rate Miss R applied for would no longer be available.

In those circumstances, it seems to me that it's fair and reasonable to conclude that Barclays is responsible for Miss R paying a higher interest rate than she would otherwise have done – and fair and reasonable for Barclays to compensate her for that.

In respect of the second mortgage, Miss R says her plan was to apply for the same mortgage to the same lender, but when the first one was rejected she and her broker concluded there was no point making a further application. That seems reasonable to me – and for the same reasons as I've given above, I think it's more likely than not that any application would have been successful had Miss R been in a position to make it.

Miss R says that this second mortgage then went on to the existing lender's standard variable rate, but I don't know what happened after that.

I'm satisfied that it's fair and reasonable for Barclays to compensate Miss R for her financial losses. So that I can properly assess what those losses are, and make an award for them in my final decision, I need Miss R to provide some more information when she responds to this provisional decision. Specifically, she should provide:

- 1) A full copy of the mortgage offer she did accept, showing both that the rate was 2.74%, and the end date of that rate.
- 2) Information about what happened to the other mortgage after August 2022. If Miss R applied for a new rate on that mortgage, either with the existing lender or a new lender, I will need a full copy of the new offer. If Miss R did not apply for a new interest rate on that mortgage, she should explain why – it's likely that, in the absence of a good reason, I wouldn't award redress for remaining on the reversion rate after August 2022 on the basis that Miss R hadn't

mitigated her losses.

Subject to the further information I've requested, I'm currently minded to require Barclays to pay Miss R the difference between the 2.74% and 2.35% interest rates for the duration of the 2.35% fixed rate term on the first mortgage, and the difference between 2.35% and the reversion rate followed by any new interest rate on the second mortgage again for the duration of the 2.35% rate (subject to what I've said about mitigation of loss). Should my thoughts change on receipt of further evidence, I will give the parties a further chance for comment before making a final decision.

Finally I think Barclays should compensate Miss R for the trouble and upset it caused, including the impact of having to manage higher mortgage payments than she should have done. I think £500 is a fair offer for that."

Barclays said it agreed with my provisional decision and would pay redress along those lines. Miss R provided the further information I needed to confirm redress, which I did in a second provisional decision. I said:

"I've found that, but for Barclays' mistake, Miss R would have been able to re-mortgage both buy to let mortgages to lower interest rates. I found that it's more likely than not that both would have been moved to a new lender offering an interest rate of 2.35% fixed until 30 September 2027. There was a £1,995 fee payable for this rate.

The redress set out below for each mortgage is in addition to the £500 compensation for distress and inconvenience already offered.

Mortgage 1

This mortgage, over property 9S, instead moved to another lender on a fixed rate of 2.74% until 2 October 2027 with a £1,499 product fee. Because of the delay caused by having to make a second application, Miss R also spent one month on her previous lender's standard variable rate of 4.89%. As a buy to let, the mortgage is interest only. The balance was £255,499 including the product fee – so £254,000 before the fee was added. The balance on the other mortgage would therefore have been £255,995 once that fee was added.

In moving her mortgage to this lender, Miss R would have had to pay legal fees. But I make no allowance for those, since they would also have been payable had she moved to the 2.35% fixed rate instead, which was also with a new lender.

Therefore, in respect of this mortgage, fair compensation is:

- The difference between interest on £254,000 at 4.89% and interest at 2.35% on £255,995 for one month; plus
- The difference between interest on £255,499 at 2.74% and £255,995 at 2.35% for 61 months; minus
- The saving of £496 in product fee.

I don't award simple annual interest of 8% on past payments because the loss in being out of pocket on higher payments in the past is outweighed by the gain of being compensated for future losses before they occur.

Mortgage 2

This mortgage, over property 268O, remained with its existing lender, with Miss R taking a rate switch effective from 1 November 2022. The mortgage balance was £185,556 and a £999 product fee was added to that. Again this is an interest only mortgage. Miss R took a fixed rate of 3.25% ending on 31 December 2024. She says that she remained with her existing lender because by this point its interest rates were relatively competitive. But she only took a two year rate, rather than the five year rate she would have applied for in June, because the rates were higher and she didn't want to be tied in for as long as a result. She felt that she had to take a rate to mitigate her losses and did the best she could at a time rates were rapidly rising.

I think this was reasonable. However, it means that it's uncertain what losses Miss R will face – if any – after December 2024. It depends on what rates she is able to secure at that time.

I therefore think that it's reasonable for Barclays to compensate Miss R for her losses now, until December 2024. And then it will need to review, around that time, whether there are further losses. That will depend on what interest rate Miss R is able to secure at that time.

Therefore, in respect of this mortgage, fair compensation is:

- The difference between interest on £187,055 at 2.35% and interest on £186,555 at 3.25% for 26 months; plus
- The difference between interest on £187,055 at 2.35% and £185,556 plus any product fee on a new rate from January 2025 at that rate for 34 months (this is dependent on Miss R securing a new fixed rate with her existing lender from January 2025 rather than reverting to the standard variable rate); plus
- Any fee payable for securing a new fixed rate from January 2025; minus
- The saving of £996 in product fee on the rate actually taken in November 2022.

Again, I don't award simple annual interest of 8% on past payments because the loss in being out of pocket on higher payments in the past is outweighed by the gain of being compensated for future losses before they occur.

Barclays will need to pay part of the redress on conclusion of this complaint, and part later this year once Miss R has secured and evidenced a new fixed rate to start from 1 January 2025."

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.

Both Miss R and Barclays confirmed they had nothing further to add to what I had said. I've reconsidered my provisional decisions again, and having done so see no reason to change my mind. Barclays should put matters right in the way I set out, reproduced above.

My final decision

My final decision is that I uphold this complaint. Barclays Bank UK PLC should:

- Within 28 days of Miss R's acceptance of my final decision:
 - Calculate and pay redress for mortgage 1 as set out above;
 - Calculate and pay redress to 31 December 2024 for mortgage 2 as set out above; and
 - Pay Miss R £500 compensation.
- Within 28 days of Miss R evidencing to Barclays that she has taken a new fixed rate with effect from 1 January 2025 on mortgage 2:
 - Calculate and pay the remainder of the redress for mortgage 2 as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 1 May 2024.

Simon Pugh
Ombudsman