

The complaint

Mr C and his mother Mrs C complain that Barclays Bank UK PLC wouldn't agree to further borrowing on their mortgage. Mr C has led this complaint.

What happened

Mr C and Mrs C have a mortgage with Barclays. They also have a linked mortgage current account (MCA), which operates like a bank account with an overdraft – any borrowing on the overdraft is also secured over their property and must be repaid by the end of the mortgage term.

Mr C and Mrs C have substantial land with their property and a low loan to value. They were in discussions with developers about selling part of their land for new housing. They asked Barclays to agree to this and to lend them more money to finance negotiating the sale of the land but it initially declined. Mr C and Mrs C say they renewed their application but didn't get a response.

Mr C and Mrs C are in financial difficulty and struggling with their outgoings, because Mr C has stopped work to care for Mrs C. They say that once the development project is complete they'll be paid a substantial sum which will allow them to clear this mortgage and their other debts and still have significant capital. Mr C and Mrs C anticipate being paid within two years, once planning permission for the development is approved.

Barclays didn't uphold Mr C and Mrs C's complaint, but offered £200 compensation for delays in responding to it. Our investigator didn't think it should be upheld either. So Mr C and Mrs C asked for an ombudsman to review it.

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'm sorry to hear of Mrs C's ill health and the difficulties Mr C and Mrs C have had.

I appreciate Mr C has found this a frustrating experience, but overall I don't think Barclays has acted unfairly.

Mr C and Mrs C asked Barclays to consider lending them further funds to enable them to pay for legal and other expenses in negotiating with the developer. They also wanted to clear their other debts.

The land they're proposing to sell for development is currently part of their property and subject to the mortgage with Barclays. Barclays doesn't generally offer development finance, and couldn't offer commercial lending secured over the same land as a residential mortgage. So while Mr C says they have substantial assets – in the form of the overall value of their house and land, especially with the development interest – they don't have assets outside the mortgaged property they could raise finance on.

And Barclays wasn't willing to lend more money by extending the mortgage either. As Mr C accepts, residential mortgage lending requires an assessment of affordability, which Mr C and Mrs C wouldn't pass.

I know that Mr C feels that it's obvious that Barclays should be willing to lend – because the proposed development is very likely to go ahead, it will solve their financial problems, and therefore there's little or no risk to Barclays. But Barclays doesn't have to lend. If it did increase the mortgage and Mr C and Mrs C couldn't afford the higher payments, and then for some reason the development fell through, that would leave them in a very difficult position. And outside the mortgage, the same affordability issues remain and there's no security for Barclays to take. So I don't think Barclays acted unreasonably.

Mr C also complains that Barclays wouldn't give him a straight answer, or consider his proposal. But I think it did tell him that it wouldn't lend – though Mr C didn't agree with that, and tried to re-apply when the development plans changed.

Barclays has offered £200 compensation for delays in handling Mr C and Mrs C's complaint. I think that's a fair offer.

My final decision

My final decision is that I think Barclays Bank UK PLC has made a fair and reasonable offer to settle this complaint, and should pay Mr C and Mrs C £200 compensation.

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

Simon Pugh
Ombudsman