

## The complaint

Mr and Mrs B's complaint about Barclays Bank UK PLC (Barclays) relates to Barclays failure to inform them that their direct debit (DD) had not been set up correctly and as a result their monthly mortgage repayments were not being made. That resulted in adverse reports being made to the Credit Reference Agencies (CRAs) which in turn led to their application for a new mortgage with another lender, being declined.

## What happened

Mr and Mrs B took out a mortgage with Barclays on 17 January 2023. On 18 March 2023 Mr and Mrs B set up a direct debit with Barclays, on the telephone, for their future monthly mortgage repayments. However, as the payer's account had been closed, the DD could not be set up, and Barclays failed to tell Mr and Mrs B that and in the meantime arrears built up on their account. Barclays accept they ought to have contacted Mr and Mrs B about this sooner than they did.

On 7 June 2023 Barclays called Mr and Mrs B to advise that they had missed two mortgage payments. Barclays also sent a letter saying it understood it might be as a result of a simple mistake on Mr and Mrs B's part. Mr and Mrs B then paid the outstanding monthly mortgage payment over the phone but were told by the Barclays representative that their credit rating might be adversely affected. In fact, Barclays had reported two missed mortgage payments for April and May.

At that time Mr and Mrs B were in the process of applying for a new five-year fixed rate mortgage deal at a rate of 4.73%, with another Lender whom I shall call 'V', and were concerned that any adverse credit report could result in their application being declined. On 19 June Mr and Mrs B learned from their mortgage advisor that 'V' had had declined their application because of the credit rating issue which left them on Barclays variable rate.

Mr and Mrs B said that because of the adverse report to their credit file, (1) they couldn't get any other offers from any other lenders and (2) Barclays took over four months to correct matters when they had advised it would take 30 days.

On 7 September Barclays cleansed Mr and Mrs B's credit file and removed the adverse data for April and May. Mr and Mrs B's DD was then correctly set up.

Barclays accepted that it had made errors leading to the adverse report to the CRAs and by way of an apology for the inconvenience it had caused, it paid £600.00 into Mr and Mrs B's account.

Mr and Mrs B were unhappy with Barclays' final response and so approached this service to see if we could assist in resolving the dispute. Our investigator accepted that Mr and Mrs B had missed out on the five-year fixed rate deal with 'V' because of the adverse report to their credit file by Barclays. He thought that Barclays should calculate the difference between what they were currently paying and what they would have paid had their mortgage application with 'V' been successful, and then reimburse that sum to Mr and Mrs B. He felt

the calculation should be for the period July 2023 until Mr and Mrs B's tracker rate with Barclays ends on 31 December 2024.

In relation to the compensation of £600 paid he thought that was reasonable and in line with what this service would have expected Barclays to pay.

Barclays 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 know the parties have provided a lot more detail than set out in my summary, but I have focussed on what I see as the key issues, because it reflects the nature of our service. We are an informal dispute resolution service and an alternative to taking Court action. So, if I've not mentioned something then this isn't because I've ignored it, it's simply because I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Naturally, I have considered the views of both Mr and Mrs B and Barclays and all the available evidence. Where evidence is not complete, I think about what is more likely to have happened in the light of the evidence which is available.

The accepted facts are that Mr and Mrs B's missed mortgage payments for April and May 2023 resulted from Barclays' error in failing to notify them that the DD had not been set up correctly. Mr and Mrs B's application to V was declined at the 'Decision in Principle' (DIP) stage and without any underwriter involvement. V have confirmed to this service that the most likely reason for this is because of the adverse credit report. Mr and Mrs B had an otherwise very good credit file and V have said that but for the adverse report it would have passed the DIP stage.

I accept Barclays' broad argument that even if Mr and Mrs B had obtained a positive DIP, it would not necessarily mean that their application would have been successful since the underwriters may have declined it for some other reason. That said, I base my view on the balance of probabilities, or in other words is more likely to have happened than not. I can see that Mr and Mrs B's credit file was in good shape and there were no other adverse reports or any active or settled County Court Judgments on it. They had around £15,000 of debt, good joint income levels and were asking 'V' for a mortgage of £200,000. I also note that less than six months earlier Barclays had also been happy with Mr and Mrs B's financial position since it offered them a mortgage. I think it is therefore more likely than not that their application to V would have been successful had it not been for Barclays' adverse report.

### **Putting things right**

I do therefore agree with our investigator that as a starting point, in order to put Mr and Mrs B back in the position they would have been in Barclays should reimburse them the difference in interest between what they are actually paying and what they would have paid had their application to V been accepted. I also think it is likely they would have obtained the mortgage with V in July 2023 and so it is fair to calculate the amount to be paid, from then up until their current rate with Barclays ends on 31 December 2024.

I have also gone on to consider Barclays' most recent offer which, which came after our investigator issued their view, and which takes into account that there are now five-year fixed rate products with lower interest rates than the 4.73% offered by 'V'. As at 31 May 2023 Barclays had two rates which Mr and Mrs B could have applied for. The first 4.51% with no fee, or a second product with a 4.31% rate but with a £999 fee.

Barclays have said that if Mr and Mrs B switch to one of these rates now, they will agree to pay the difference in interest between the 4.73% rate V offered, and their current rate for the period June 2023 until the new rate is applied. They argue that in so doing that would actually put Mr and Mrs B in a better position.

Mr and Mrs B don't agree with this because it would effectively tie them in to a five-year deal during which rates might adversely change from their perspective, and so do not wish to be tied. Whilst I understand that argument I do note that in July 2023 Mr and Mrs B were in any event willing to commit to a five-year deal.

Mr and Mrs B do have a duty to mitigate any losses they might have and so I can see a certain attraction to Barclays' latest offer. Of course, if Mr and Mrs B accept Barclays latest offer it might be the case that interest rates could rise which would mean that they would be in a better position than if they had obtained the mortgage from V since Barclays rate will be for a longer period.

The point I make is that there is no precise way of knowing what might happen in the future and so doing the best I can to resolve this complaint I think that the fairest way forward is to put Mr and Mrs B back in the position they would have been, so far as that is possible to do. To achieve that I agree that Barclays most recent offer should be disregarded, because that is not what Mr and Mrs B were going to do back in July 2023.

Turning to the award of compensation, when we make such awards we categorise them and examples of these can be found on our website. The amount offered was in my view fair and reasonable and in line with the award I would have made in any event.

### **My final decision**

My final decision is that Barclays Bank UK PLC shall;

- (a) calculate, and pay to Mr and Mrs B the additional cost to them as a result of being unable to secure the five-year fixed rate mortgage with 'V' which was at 4.73%, based on the difference between that rate, and the rate they actually were on and until their tracker rate with Barclays ends on 31 December 2024.
- (b) pay Mr and Mrs B £600 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 23 July 2024.

Jonathan Willis  
**Ombudsman**