

The complaint

Miss W's complaint is about delays she encountered during a re-mortgage application with Barclays Bank UK PLC. Miss W believes the delays meant she ended up having to apply to her existing lender for a new interest rate product, which had a higher rate associated with it.

In settlement of the complaint Miss W wants to be compensated for the increased mortgage payments she's having to make and for the stress and difficulties she has been caused.

What happened

Miss W approached an independent mortgage broker in the autumn of 2022 to assist her with her mortgage as she was concerned about rising interest rates. The fixed interest rate product linked to her existing mortgage was due to expire at the beginning of January 2023. The broker recommended that she re-mortgage with Barclays and apply for a five-year fixed interest rate product of 3.69%. This product was available for a mortgage with a loan-to-value of 85% or below.

The broker made an omission when it submitted the application – it didn't tell Barclays that the property was shared ownership. Barclays became aware of this when it received the valuation report on 16 September 2022. In addition to highlighting the type of ownership, the valuation report also determined the property was worth less than Miss W had thought, which would increase the loan-to-value and change the interest rate products Miss W was eligible for.

Barclays made the broker aware of the error regarding the shared ownership issue on 27 September 2022. However, it didn't mention the issue of the lower valuation at that time, and this meant that when the broker attempted to alter the application on Barclays' system, it wasn't able to because Miss W wasn't eligible for the product she'd applied for. This was resolved when Barclays helped with a work-around on 19 October 2022, but it still doesn't appear that the broker was informed of the issue about the amount the property was valued at. This happened on 19 November 2022, when the broker was told Miss W was not eligible for the product she had applied for because of the reduced valuation. The broker was told Miss W would need to select a product available for mortgages of 90% loan-to-value, but none were available.

The broker immediately started looking at Miss W's other options and four days after being told by Barclays about the down-valuation, it recommended a new product for her with her existing lender. The application with Barclays was subsequently cancelled. The new product with the existing lender provided a fixed interest rate of 5.2% over five years.

Miss W complained to both the broker and Barclays. She believed the delays in the application process meant that the application to the existing lender happened months after it could have and she was paying a higher rate of interest than she otherwise would have been. She explained that she had approached the broker when she did because she was concerned about interest rates rising. Miss W asked to be compensated for the difference in interest rates and the stress she had been caused.

Barclays responded to the complaint in a letter of 20 March 2023. It upheld the complaint as it concluded that it had provided Miss W with a poor customer experience, in that it had caused some delays during the process. It offered £400 for those delays and the amount of time it took to respond to the complaint. However, Barclays said that as Miss W had cancelled her application, it was unable to compensate her for the increased interest rate – it didn't explain why.

Miss W wasn't happy with the response she received from Barclays and asked us to look into her complaint. One of our Investigators did, but she concluded the offer of compensation was fair in the circumstances.

Miss W initially accepted the outcome of the complaint, but when we also concluded the broker had done enough to compensate her, she asked that both complaints be referred to an Ombudsman to be reviewed together.

Following the complaint being passed to me, I requested some additional information from Barclays and Miss W's existing lender. Barclays confirmed that at the point it became aware Miss W wasn't eligible for the interest rate product she had applied for, it wasn't offering products for shared ownership mortgages with a loan-to-value of more than 85%. Miss W's existing lender confirmed the equivalent five-year interest rate product to the one she later selected was for 4.55%. This product was available between 26 September 2022 and 4 October 2022.

I issued a provisional decision on 10 May 2024, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Barclays has accepted that it caused delays, but also highlighted that the broker made mistakes. The latter is true. However, I don't consider those mistakes were actually material to the outcome of this complaint, given the first mistake Barclays made.'

Barclays received the valuation for Miss W's property in the middle of September 2022. It reviewed this shortly thereafter and became aware of two things. The first being that the broker had failed to tell it that the property was shared ownership. The second was that the property had been valued at less than Miss W believed it was worth (based on the valuation done two years earlier when she bought her share of the property). It was the latter issue that meant Miss W couldn't go ahead with a mortgage with Barclays as it took the loan-to-value above 85% and meant that there were no fixed interest rate products available to her, which she required from any new mortgage. I can see no good reason that Barclays chose not to raise both issues in September 2022 when it became aware of them, given the impact both had on the application.

It took Barclays over seven weeks to tell the broker about the second issue. Once it did, the broker reviewed the advice it had provided Miss W with and made an alternative recommendation within a matter of days. As such, I can only conclude that, had Barclays told the broker about the issue with the value of the property when it raised the shared ownership issue toward the end of September 2022, the broker would have acted in the same way. As such, I am satisfied that Miss W would have had a 4.55% interest rate product attached to her existing mortgage on 1 January 2023 until 30 November 2027 when the lender has confirmed it would have expired.

Barclays has offered Miss W £400 for the inconvenience the delays in handling her application caused her and for how long it took to answer her complaint.

The handling of complaints is not itself a regulated activity or one that our jurisdiction automatically covers. It's something that the regulator requires financial businesses to do.

However, that isn't enough to make it a regulated activity within the meaning of our rules and something we can consider a complaint about.

However, we are able to consider concerns about complaint handling in some limited circumstances, for example, if we're upholding the underlying complaint that a consumer believes was mis-handled and the complaint handling is linked to the cause of complaint. Here, I have upheld the underlying complaint, and the complaint issue regarding delays runs throughout and so I consider that we can consider the handling of the complaint.

Barclays caused delays throughout both the handling of the application and the complaint. Both of which caused Miss W stress, upset and inconvenience. As such, I am satisfied a compensation award is merited. Miss W has explained that her income is the only one in her household and so the cost of the mortgage going forward was very important to her and her ability to maintain mortgage payments. As such, I can understand the worry the delays Barclays caused would have elicited. However, having looked at the amounts of time involved and the overall circumstances, I am satisfied that the £400 Barclays has offered is sufficient and proportionate.

Putting things right

In settlement of the complaint Barclays should calculate the difference in the amount of interest Miss W will pay on her mortgage between 1 January 2023 and 30 November 2027 based on the fixed rate of 5.2% and the amount she would have paid during the same period had she been on a fixed rate of 4.55%. Barclays should pay Miss W a sum equal to the difference between the two figures.

Miss W has already paid some of this interest and usually we would award simple interest on those payments. However, as the sum Miss W will be receiving will include payments in advance for most of the term of the product, I consider having those funds in advance will negate any loss of use of the money already paid out.

In addition, Barclays should pay Miss W £400 for the upset and inconvenience the delays on its behalf caused her.'

Both parties accepted my provisional decision. Barclays set out the information it would need from Miss W to be able to calculate the redress, which I have detailed below.

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.

Having reviewed the file again in its entirety, and in light of the acceptance of both parties, I see no reason to alter the conclusions I set out in my provisional decision.

Putting things right

In settlement of the complaint Barclays should calculate the difference in the amount of interest Miss W will pay on her mortgage between 1 January 2023 and 30 November 2027 based on the fixed rate of 5.2% and the amount she would have paid during the same period had she been on a fixed rate of 4.55%. Barclays should pay Miss W a sum equal to the difference between the two figures.

In addition, Barclays should pay Miss W £400 for the upset and inconvenience the delays on its behalf caused her.

Barclays has asked that Miss W provide it with documentation showing details of the interest rate product that was attached to her mortgage at the beginning of 2023 and confirmation of the mortgage balance as at the date it was attached. I consider this is a reasonable request as this information will be needed for the redress to be calculated.

My final decision

My decision is that I uphold this complaint. In full and final settlement of the complaint, I order Barclays Bank UK PLC to settle the complaint as detailed above in 'putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss W to accept or reject my decision before 1 July 2024.

Derry Baxter

Ombudsman