

## **The complaint**

Mrs H complains, on behalf of L – which is a limited company and how I will refer to it hereafter – that Barclays Bank PLC didn't process an application for a Support for Mortgage Interest (SMI) loan having lost the form she provided. She also complains about the service Barclays provided particularly with regards to the lack of contact when she asked about the initial delay in acknowledging the application. She would like to know why L isn't eligible for a loan and would also like greater compensation for Barclays' overall poor communication and delay in answering her complaint.

## **What happened**

My understanding is that in 2019 a commercial mortgage of £70,000 was secured to refurbish the cottage in which Mrs H lived. The borrower was noted as Mrs H trading as L – which is a bed and breakfast business run by Mrs H at that address.

Mrs H says that, following a period of ill health which affected L's financial situation, she became eligible for various personal state benefits and was also advised to apply for an SMI loan. She says she submitted an application to Barclays who signed for its receipt on 11 January 2023. Some weeks later Mrs H contacted Barclays for an update but was told there was no record of the SMI application. Barclays said it would contact Mrs H in relation to the delay – but as she heard nothing further about her application she complained to Barclays in late February 2023.

After a further five months during which Barclays told Mrs H it was investigating the issue, it eventually accepted that it hadn't provided a good service with regards to telephone calls. It also said it should have processed the SMI form. However Barclays said that the form was for a personal mortgage – not a commercial mortgage which was secured on the business – so it would have been rejected regardless. Barclays offered £100 compensation for the inconvenience caused and the time taken to investigate the complaint.

But Mrs H says she remained unconvinced that she couldn't apply for the SMI loan simply because there was a commercial mortgage and hadn't seen any evidence to support that claim. She wanted a clearer explanation to demonstrate why she wasn't eligible, and she also wanted greater compensation as she didn't think Barclays offer was sufficient.

She brought this complaint to us where one of our investigators looked into the matter. She thought it was a matter for the DWP to consider whether the application was eligible or not. And she thought that by failing to process the application – which Mrs H offered to resubmit – it caused stress and uncertainty over a sustained period.

She thought, given that Mrs H clearly needed the financial support and was also recovering from illness the distress and inconvenience caused warranted a compensatory payment of £500. She also thought Barclays should revisit the application and, should Mrs H request it to do so, send it to the DWP.

Mrs H set out the financial problems that were caused because of the delay and lack of communication around the SMI application. She said:

- She had to borrow money to pay her mortgage and set up payment plans for credit cards which she wouldn't have needed to do if the application had been processed and paid.
- Barclays had previously caused her undue stress around other payments she makes on a "bounce back" loan and hadn't treated her with care during this entire process.
- Her personal and family situation means that defaulting on her mortgage might also lead to losing the family home – which she is obviously anxious to avoid.
- Although the business is based in her cottage it is also her family home – which planning permission rules dictate must be occupied at all times.
- She had previously received a loan to complete refurbishment of the residential part of the property – recommended to her by the DWP - despite having a commercial mortgage at that time too.
- The SMI loan was to help save both the business and her home.

Barclays didn't agree. It said:

- By submitting an application it knew wouldn't be successful it would be mismanaging Mrs H's expectations. It had a responsibility to ensure an application met the eligibility criteria before submitting it – which this application clearly didn't because it was in relation to a commercial loan.
- It took into account the delay in answering the complaint when it offered £100. It didn't think it was responsible for the financial difficulties the business was suffering which wouldn't have been improved even it had submitted the application in a timely manner.

So as no resolution could be found the complaint was referred to an ombudsman and was passed to me to review.

#### My provisional decision

I issued a provisional decision on 6 June 2024 in which I made the following points in support of the decision:

- I first looked at whether Mrs H had been eligible to submit an SMI loan application. I noted the process involved Mrs H completing an application form which she then needed to submit to Barclays before it sent the form to the DWP. So it wasn't for Barclays to provide the loan or make a decision on whether her application should be successful – although it had a duty of care to check whether an application was likely to be considered before sending it to the DWP.
- The government website made it clear that the SMI loan was only available to homeowners and not to businesses that have commercial mortgages, so it was understandable why Barclays might conclude that the application wouldn't be considered in this case and – even if it had received the application form from Mrs H – not to have processed it.
- But it wasn't for Barclays to make the final decision on the outcome of an application and there were factors which may have led to the DWP taking a sympathetic view of Mrs H's position here. So I thought a reasonable outcome was for Mrs H to approach the DWP to see if her eligibility could be met and then, on provision of a positive answer, for Barclays to continue with the application process.
- I considered what compensatory payment might be warranted but was mindful that Mrs H wasn't an eligible complainant and had brought the complaint on behalf of L who cannot suffer the same inconvenience and distress as Mrs H has in this case.

So I considered that Barclays' offer of £100 for the raising of expectations to L in not providing an earlier answer to the application was fair and reasonable.

### Responses to the provisional decision

Mrs H sent my provisional decision to the DWP, who in response said that *"if Barclays had processed your documents and returned them to Universal Credit, you would've been entitled to receive support from Universal Credit towards your Mortgage Interest payments. If you wish to proceed with the SMI Loan, we will print and post the documents to you for completion."*

So Mrs H thought this supported her belief that Barclays ought to have processed the application when she submitted it.

Barclays acknowledged receipt of the provisional decision but didn't have anything further to add.

### **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.

And having considered Mrs H's evidence from the DWP I see no reason to depart from my provisional findings.

Mrs H, finding herself in financial difficulties and in receipt of state benefits, decided to apply for an SMI loan in early 2023 on behalf of her business L. As she didn't hear anything about her application she contacted Barclays who said that it hadn't received an application. When it investigated Mrs H's complaint about the inaction over her application it apologised and offered compensation but said that – as L had a commercial mortgage secured upon the property– Mrs H wouldn't have been eligible to receive the loan and so it wouldn't have submitted it to the DWP on her behalf anyway.

So I first considered whether Barclays' intended actions if it had looked at the application would have been fair as Mrs H had said that she hadn't seen any evidence to support what Barclays said it would have done.

The SMI loan wasn't a loan provided by Barclays. It was government backed loan intended to support homeowners receiving state benefits. Any loan application would need to be considered by the DWP – not Barclays. The government website provided an overview of eligibility for the loan.

*"If you're a homeowner or have bought a shared ownership property, you might be able to get help towards interest payments on:*

- *your mortgage*
- *loans you've taken out for certain repairs and improvements to your home."*

This would suggest that commercial mortgage holders wouldn't be eligible for SMI loans and would to some extent support Barclays position in not submitting a loan application that would most likely fail and thereby not raising Mrs H's expectations. I can understand that Barclays, acting as a conduit here, would want to ensure it wasn't submitting loans which would require time and effort from all parties to process but would likely be rejected.

But it wasn't for Barclays to make the final decision on Mrs H's SMI loan, and I think it needed to consider that there might be mitigating factors in her submission which might

mean the outcome wasn't so straightforward. I say that because Mrs H's property is both her family home and a bed and breakfast accommodation, so I can't discount the possibility that the DWP might take a different view here.

But in any case having been provided with a copy of my provisional decision – which clearly noted there was a commercial mortgage secured on L – the DWP has appeared to suggest it would consider the application for the loan. I can't confirm what the decision around an application might be, but there's sufficient evidence to support the idea that Barclays ought now to submit an application on Mrs H's behalf. As I said previously it isn't for Barclays to decide the outcome of an application and Mrs H has produced evidence to show that DWP would give consideration to an SMI loan application from her.

### Barclays' offer of compensation

It must also be remembered here that Barclays did make an error in not processing Mrs H's application and giving her an answer – whatever that may have been, sooner. Bearing in mind Mrs H's financial situation and the importance of receiving the SMI payment Barclays delay would have had an impact.

Initially our investigator thought the compensation amount should be increased, but as Mrs H herself wasn't an eligible complainant – that being L – I didn't think an award could reflect any impact Barclays' actions may have had on her.

So I considered what impact this may have had on L, such as any impact on its financial, operational, or reputational situation. There was no evidence to support the idea that L had suffered any loss to its reputation or its everyday operations. But I did consider that L might have suffered some impact because of Barclays inactions and failing to at least provide an answer to the application in a timely manner – thereby raising expectations of a cash injection to L.

I've thought carefully about this matter and I'm mindful that Barclays has offered £100 for the raising of expectations. I think this is reasonable in the overall circumstances of L's complaint and the fact that it's the eligible complainant here – not Mrs H.

### **Putting things right**

Barclays should now liaise with Mrs H to submit an SMI loan application on her behalf and, as it's already made an offer to pay £100 to settle the complaint, it should pay that sum.

### **My final decision**

For the reasons that I've given I uphold L's complaint against Barclays Bank UK PLC.

Barclays Bank UK plc should pay £100 and submit an SMI loan application when it receives it from Mrs H.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 9 September 2024.

Keith Lawrence  
**Ombudsman**