

The complaint

Miss D and Mr S complain that Barclays Bank UK PLC declined their application for a mortgage because it didn't think the property concerned was suitable security. They are unhappy that this happened after Barclays had previously issued them with a mortgage offer for the same property, and after they'd spent a total of £651 on surveys and legal work for the purchase of the property.

Miss D and Mr S say the matter resulted in them experiencing significant stress and worry, especially because they were renting the property concerned and they were worried about losing their place of residence.

What happened

In August 2023, Miss D and Mr S applied for a mortgage with Barclays to purchase a property they'd been renting. The application was made through a broker.

Barclays instructed an independent surveyor, who was accredited by the Royal Institution of Chartered Surveyors (RICS), to complete a mortgage valuation – which was completed in September 2023. The valuer said that the mortgage was suitable security. They noted that it was an ex-local authority flat in a block, which might affect marketability, but said there was demand for properties of that type in the local area. Photographs accompanying the valuation appear to show cladding on the block, but the valuation said that an EWS1 assessment was not required. Barclays then issued a mortgage offer on 2 October 2023 which was valid until 1 February 2024.

A short time later, a change of interest rate product was requested. This means withdrawing the old mortgage offer at the previous interest rate and replacing it with a new one. A revised mortgage offer was issued by Barclays on 5 October 2023. The offer expiry date remained as 1 February 2024. No new valuation was carried out at this time.

Later, as their purchase had not yet completed, and they were near to the expiry date of the existing mortgage offer, Miss D and Mr S decided to apply for a new mortgage with Barclays. This was submitted on 24 January 2024. As this was a new application, Barclays considered it again from the start – including requesting a new valuation.

Barclays instructed a different independent surveyor, who was also accredited by RICS, to complete a new mortgage valuation. This took place later in January 2024, and the surveyor concluded the property didn't meet Barclays' lending requirements. In the report, the surveyor highlighted the property did not have an EWS1 form available but that there appeared to be cladding on the building, which was eight stories high. The surveyor also noted the property had deck/balcony access and said they had concerns over the future saleability of the property given its location and that it was an ex-local authority flat - which meant they didn't think the property met Barclays' requirements for the loan.

Following its receipt of the valuation, Barclays declined Miss D and Mr S's new mortgage application. That meant they no longer had a mortgage offer in place to proceed with their planned purchase of the property.

Miss D and Mr S complained to Barclays that they'd incurred costs totalling £651 for legal work and surveys after Barclays had issued its previous mortgage offers, and they asked it to compensate them for this, and also for the inconvenience caused. Barclays didn't uphold the complaint. In its final response dated April 2024, it said it was unable to investigate a complaint about the surveyor concerned because this was a separate company, and it was unable to identify any mistakes made by Barclays.

Miss D and Mr S referred their complaint to this Service and our Investigator upheld it. In summary, she felt the information provided within (and omitted from) the first valuation report dated September 2023 ought to have prompted Barclays to question things, which it didn't. If it had, it wouldn't have issued the first offer. Because of this, she said Barclays should refund the costs Miss D and Mr S have incurred with interest at 8% simple. She also felt Barclays should pay Miss D and Mr S £200 for the distress and inconvenience the matter had caused.

Miss D and Mr S accepted the outcome reached by the Investigator. However, Barclays didn't agree. In summary, it said:

- It was reasonable for it to rely on the opinion of a qualified surveyor, and it would not question their decision.
- There had been a difference in the professional opinion of the surveyors about the demand for the property; and
- It was only able to make a lending decision based on the most recent valuation advice.

Because agreement couldn't be reached, the complaint has been passed to me 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.

Barclays accepts the second mortgage valuation correctly identified the property wasn't suitable security. In its email to Miss D and Mr S's broker dated 8 February 2024, it said:

"... the bank does not consider the property to be suitable security for a mortgage. The second surveyor correctly identified this as opposed to the first survey by [name of the first surveyor] which did not."

Further, Barclays' internal notes dated April 2024 state the following:

"It is clear there is little market for these flats, with only four sales recorded since 1999, the latest in 2018. The block is clearly outside policy."

This Service is unable to consider a complaint about an independent surveyor. As a general rule, Barclays is entitled to rely on the advice of a qualified professional surveyor about the suitability of a property as security for a mortgage. But in this case, I think Barclays ought to have known from the information it was provided with by the first surveyor that something might be wrong with their view that the property met its requirements for the loan.

I've carefully reviewed the valuation report completed in September 2023 and Barclays' relevant lending criteria at that time. Having done so, I think there were some obvious red flags that ought to have alerted Barclays to the fact that something might be wrong with the first surveyor's view that the property was suitable security.

I say this because the surveyor noted the property is a flat on the seventh storey of an eight-storey block and the photographs taken, which were included within the report, show the property has both deck/balcony access and appears to have cladding. However, neither of these features were discussed within the report. This is important because, whilst Barclays' policy is that a property with deck area access can be considered, this is only where there is considered to be no restriction "whatsoever" on future saleability. And here, the surveyor stated the following in the report:

"The property's location within a Local Authority block of flats may deter some purchasers and affect marketability..."

I think the surveyor's comment here raises some concern about the future saleability of the property and therefore, in conjunction with the apparent deck/balcony access and cladding, I think this ought to have alerted Barclays to the possibility that the property might not meet its requirements.

Further, and importantly, despite the photographs clearly showing the property has balcony/deck access and cladding – there was no discussion in the valuation report about any potential fire safety risk or any further checks or reports, such as an EWS1, that would likely be required for Barclays to determine whether the building presented any particular fire safety risk. Barclays' policy is for this to be investigated before making a lending decision.

Barclays has said that it is reasonable for it to rely on the professional opinion of a qualified surveyor when determining whether a property meets its lending requirements, and I agree with that. However, where – as here – the surveyor appears to have made an obvious oversight or omission in the report, I would have expected Barclays to have reviewed things further and to have asked the surveyor about the deck/balcony access and external wall system – and whether there may be any potential fire safety risk.

I think that it is more likely than not that had these steps been taken, Barclays would have concluded the property wasn't suitable security for the loan and it wouldn't have issued its mortgage offers on 2 and 5 October 2023.

Miss D and Mr S say they held off incurring costs until after they were issued with a mortgage offer and they've provided evidence which indicates costs totalling £651 were incurred after Barclays issued its revised mortgage offer on 5 October 2023. A purchase instruction document provided to this Service details the instruction date of the conveyancing firm as 9 October 2023. Further, Mr S's bank statement for the period 6 October to 5 November 2023 shows a payment of £402 was made to their conveyancing firm on 19 October 2023. It also shows a payment of £249 was made to their surveyor on 26 October 2023.

Considering everything, I'm persuaded that but for Barclays' error in not challenging that the valuation appeared to show that the property didn't meet its lending criteria even though the surveyor said it did, it wouldn't have issued the earlier mortgage offers dated 2 and 5 October 2023. If the offers had not been issued, Miss D and Mr S wouldn't have incurred costs totalling £651. It follows that I think it is fair and reasonable that Barclays pays Miss D and Mr S £651 with interest at 8% simple per year from the date the costs were incurred to the date of settlement.

I've also thought very carefully about the impact the matter has had on Miss D and Mr S. I accept they spent unnecessary time on the purchase process, and the subsequent decline of their mortgage application caused them significant worry and stress about losing their place of residence. I think a payment of £200 fairly reflects this.

Putting things right

To settle this complaint, I require Barclays Bank UK PLC to calculate redress as follows:

- Pay Miss D and Mr S a total of £651 plus interest at 8% simple per year from the date they incurred the relevant costs to the date of settlement.
- Barclays should also make a separate award of £200 for the distress and inconvenience caused by its actions.

If HM Revenue & Customs requires Barclays to deduct tax from the interest, Barclays should give Miss D and Mr S a certificate showing how much tax it has deducted, if they ask for one.

My final decision

My final decision is that I uphold this complaint and I require Barclays Bank UK PLC to calculate redress as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D and Mr S to accept or reject my decision before 8 April 2025.

Michelle Griffiths
Ombudsman