

The complaint

Mr M's complaint arises out of a mortgage application he made to Barclays Bank UK Plc.

Mr M is unhappy that in March 2024 Barclays issued an Agreement in Principle (AIP) that it would lend Mr M up to £171,000. As a result, Mr M spent time and money looking for properties at that price. Ultimately, however, Barclays was only prepared to lend £130,000.

Mr M says that this has had implications for his family, as they've not been able to move to the area they wanted or to the type of property that they could have bought with a bigger mortgage. In addition, Mr M says his children also missed out on getting into a high standard school.

Mr M is also unhappy that, after the complaint was brought to our service, Barclays withdrew an offer of £300 compensation, after the bank re-investigated Mr M's complaint and didn't think it had made any errors. Mr M would like the bank to reinstate the compensation, at a higher level.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr M being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

From late 2023 and into early 2024 Mr M was looking to purchase a property. He had discussions with Barclays about how much the bank would be prepared to lend him, as a result of which six AIPs were completed – three in December 2023 and three in March 2024.

On 7 March 2024 Mr M called Barclays and said he had found a house he wanted to buy. He wanted to check how much he could borrow either by himself or jointly with his wife. Barclays completed a basic affordability check to review what Mr M could afford, based on income and commitment figures he provided. Mr M was told that Barclays could provide a rough idea of how much he could borrow. Barclays confirmed that this was only an estimate, and that no credit check would be carried out as it wasn't a full application.

Barclays said that the maximum it could probably lend would be £124,000 based on an application in Mr M's sole name. Mr M said that wouldn't be enough, so he then discussed with Barclays adding his wife to the application, taking into account her income, which is made up of benefits.

Based on this, Barclays said that over a 16-year term the maximum the bank could potentially lend would be £171,000. Mr M and Barclays then discussed how much he could afford for a monthly repayment, which was about £1,100 a month. Barclays explained that

rates could change, but said that a mortgage of £171,000 would result in payments of about £1,200 a month on a two-year fixed rate, which Mr M said would be affordable.

Mr M said that being able to borrow this higher amount would give him more freedom in relation to the properties he could look at. Barclays explained that the next step, once Mr M had found a property, would be for an application with a mortgage adviser, and that Mr M would need to provide documentation in support of the application.

However, when a formal mortgage application was made in Mr S's sole name, Barclays was only prepared to lend £130,000. Mr M complained. He said that he believed Barclays would lend him £171,000, and that his time and money were wasted looking at properties. In addition, Mr M said that his children had missed out on getting into the school of their choice.

Initially Barclays upheld the complaint, saying that *"the agent should've made it clear to you that this is only an indication and not a binding decision"*. Barclays offered Mr M £300 compensation. Mr M wasn't happy about this and complained to our service.

When Barclays reviewed the complaint, however, the bank changed its position. After listening to the call on 7 March 2024, Barclays was satisfied that it had been made clear to Mr M that the figure of £171,000 was not guaranteed, and that any mortgage application would be subject to an affordability assessment.

An Investigator looked at what had happened, but didn't think the complaint should be upheld. He was satisfied that Barclays had been clear that the AIP was not a binding offer, only an indication of what Barclays might be willing to lend, subject to a formal application. Because the Investigator didn't think Barclays had done anything wrong, he didn't think Barclays was required to pay any compensation.

Mr M disagreed with the Investigator's findings and asked for an Ombudsman to review the complaint. Mr M was unhappy that Barclays had retracted its offer of £300 compensation, after someone at the bank had told Mr M they would try and see if the manager would authorise more.

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.

An AIP is not a mortgage offer, nor any guarantee of how much Barclays will actually lend. That depends on a number of factors that are assessed once a formal application is made. These include such things in relation to the applicant as an affordability assessment, the type of mortgage required (capital repayment, interest-only or part-and-part), repayment strategy for any interest-only mortgage, affordability into retirement if the mortgage runs beyond retirement age, and consideration of any non-standard income. In addition, the property on which the mortgage is to be secured must meet Barclays' lending criteria.

When issuing an AIP, if there is, for example, non-standard income disclosed or the mortgage goes beyond retirement age, the AIP will show a "refer code", which means that when a mortgage application is made, it will require additional scrutiny by underwriters in relation to those matters – or any other relevant issues that come up during the course of the application. Barclays has provided a copy of the AIP resulting from the call Mr M had with the bank on 7 March 2024, which shows a refer code, due to the mortgage term requested and that there was non-standard income.

I confirm I've listened to the call on 7 March 2024, as detailed above. From this I'm satisfied that Barclays made it clear that the figure of £171,000, based on Mr and Mrs M's joint income, was only an indication of what Barclays might be prepared to lend. Mr M was told that any application would be subject to him providing documentation in relation to proof of income.

The process followed by Barclays (and indeed, all mortgage lenders) is that once a property has been found, a formal application is then submitted. It is at this point that Barclays would run a credit check and ask for evidence of income and expenditure. A valuation is carried out on the property, and once affordability and lending criteria have been satisfied, an offer would be issued. It's therefore not possible for Barclays to tell customers the exact amount they can borrow before they've found the property they want to buy, or submitted a formal application.

The mortgage application was made in Mr M's sole name, rather than in joint names with Mrs M. As a result, because Mrs M's income wasn't being taken into consideration, Barclays would only agree to lend £130,000. It doesn't appear that a joint mortgage application was made, so Barclays didn't have the chance to assess whether or not it would have been prepared to lend more if Mrs M was a joint borrower.

Whilst I appreciate it was disappointing for Mr M to have spent time looking at other properties which he wasn't able to purchase, I'm not persuaded that Barclays has done anything wrong. It was explained to Mr M that the figures he was given were only estimates of what Barclays might be willing to lend, subject to a formal application.

I also understand Mr M's frustration that the offer of £300 compensation was later withdrawn. However, I'm satisfied that Barclays was entitled to reinvestigate the complaint. Having done so, the bank found no error had been made, and so didn't think it should pay compensation when it had done nothing wrong.

I am only able to make an award of compensation if I thought Barclays had done something wrong. After reviewing everything that's happened, and listening to the call recordings, I'm not persuaded that Barclays is at fault. That's because I'm satisfied Mr M was made aware during the call on 7 March 2024 that the figure of £171,000 was only an estimate of what Barclays might be willing to lend, subject to a full application in joint names.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 April 2025.

Jan O'Leary
Ombudsman