

The complaint

Mr D and Mrs P complain that Barclays Bank UK PLC misled them about its criteria for lending buy to let mortgages.

What happened

Mr D and Mrs P were looking to move house. They were able to go ahead with the purchase of their new property, but having experienced problems with the sale of their old one they decided not to sell it after all. Instead, they decided to keep the old property and rent it out.

Because they would no longer have the sale proceeds of the old property to finance the purchase of the new one, they needed to find alternative arrangements quickly. They took out a short term bridging loan, intending to apply to Barclays for a buy to let mortgage to repay the bridging loan.

Over a series of phone calls in July and August 2024, Mr D and Mrs P were given conflicting and misleading information about Barclays' criteria for lending buy to let mortgages. Mr D and Mrs P complained about that. They said they had agreed to the bridging loan on the understanding that they would be able to replace it with a Barclays buy to let mortgage quickly. They ended up applying to a different lender instead. They complained about the delay and extra expense they had been caused.

Barclays accepted that Mr D and Mrs P had been given conflicting and misleading information. It offered £400 compensation. Our investigator thought that Barclays hadn't acted fairly. But she said that Mr D and Mrs P hadn't been caused any financial loss, because the mortgage they ended up taking was at a lower interest rate than they would have been able to get with Barclays. She thought that Barclays' offer of £400 compensation fairly reflected the distress and inconvenience caused.

Mr D and Mrs P didn't agree and asked for an ombudsman to decide the complaint. They didn't agree that Barclays hadn't caused financial loss. And they said that the impact on them was such that fair compensation would be £1,500, not £400.

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'm satisfied, and it doesn't seem to be in dispute, that Barclays gave Mr D and Mrs P wrong information. It told them it doesn't lend buy to let mortgages for debt consolidation – but repaying a bridging loan is not debt consolidation, it's re-financing an existing mortgage. So Mr D and Mrs P would have been able to submit an application for a buy to let mortgage. An application was never progressed because of the wrong information, and it might have been refused for other reasons. But on balance, not least because another lender was prepared to lend, I think it's likely that Mr D and Mrs P's application to Barclays might well have been successful had it proceeded.

But an application didn't go ahead, because Barclays wrongly told them they weren't eligible because they planned to use the mortgage to repay a bridging loan. What I need to decide, therefore, is what the consequences of that were to Mr D and Mrs P.

I agree with our investigator that Mr D and Mrs P have not suffered any financial loss. The mortgage they did take, with another lender, was cheaper than the mortgage they would have obtained with Barclays.

Mr D and Mrs P borrowed £370,000 at a five year fixed rate of 4.14%. There was a product fee of £1,995 added to the loan.

The rate they could have obtained from Barclays would have been a five year fixed rate of 4.60%, with a fee of £1,795.

Borrowing £371,995 (adding the fee to the loan) at 4.14% means Mr D and Mrs P will pay £78,858 over the five years of the fixed rate (monthly payment of £1,281 over 60 months).

But borrowing £371,795 (again adding the fee to the loan) at 4.60% would have meant they would pay £87,307 over five years (monthly payment of £1,425 over 60 months).

This is a difference of £8,449 – substantially more than the extra month's payment they had to make on the bridging loan because they took their new mortgage one month later than they would have done had they completed with Barclays. In addition, the other mortgage provides £250 cashback.

Therefore, by paying the bridging loan for one month and then paying the other lender's mortgage, Mr D and Mrs P are better off than they would have been by paying Barclays. They have not suffered a financial loss.

Mr D and Mrs P don't agree about that. They say it's not fair to consider the costs over five years, because they might repay the mortgage before then. They have made some overpayments already. The only fair comparison is to look at the costs incurred up to completion – that is, to take into account the bridging loan costs only. I'm not persuaded by this. If Mr D and Mrs P make overpayments to the new lender, they would likely have made overpayments to Barclays too. And whether or not they make sufficient overpayments in the future to reduce the difference to less than the bridging loan payment, or even pay off the new mortgage altogether, isn't something that is currently known or knowable. The fair comparison is the difference between the costs of the Barclays mortgage on the one hand, and the one month bridging loan plus the costs of the other mortgage on the other hand, until the end of the five year fixed rate period.

Mr D and Mrs P also say that the costs of using a broker, and their legal and other costs, should also be refunded separately. But I don't agree about that either. They would still have had to pay legal costs if they had taken out a mortgage with Barclays. So it wouldn't be fair to refund those costs, meaning they effectively get free legal work. And I don't think it would be fair to refund the broker fee either. I accept they wouldn't have paid that fee if they had taken a Barclays mortgage. But that fee is more than offset by the savings they've made by taking the other mortgage. It's not a loss, it's a slight reduction in the gain they've realised by taking a mortgage with the other lender instead.

I'm therefore satisfied that there is no financial loss to require Barclays to pay. That leaves compensation for Mr D and Mrs P's trouble and upset. I've taken into account everything they've said about that. This was no doubt a very stressful and upsetting time for them. But they were able to resolve it, by taking a mortgage with the other lender, within a month. And Barclays wasn't responsible for the problems with their sale, or the need to take a bridging

loan in the first place. On balance, I'm satisfied that £400 is a fair offer.

My final decision

My final decision is that Barclays Bank UK Plc should pay Mr D and Mrs P £400 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs P to accept or reject my decision before 23 July 2025.

Simon Pugh
Ombudsman