

complaint

Miss S complains that Barclays Bank Plc unfairly classified her employment status as self-employed, so refused to extend the term and borrowing on her mortgage. As a result she had to go to another lender, incurring an early redemption charge (ERC) on her Barclay's mortgage of £11,000.

background

Miss S took out the mortgage in February 2014. In April 2015 she approached Barclays to ask about extending the mortgage term and borrowing some more money to carry out home improvements. Barclays regarded her as being self-employed and as Miss S didn't have the necessary documents, including two years accounts, required to meet its lending criteria it turned down her request. In the end Miss S sold the property and obtained a mortgage through another lender. This meant she had to pay the ERC of £11,000 when her Barclays' mortgage was redeemed.

Miss S argued that, within the terms of Barclays lending criteria, she was a contractor rather than self-employed. She said she was in a stable, well-paid professional occupation with an excellent credit rating, and that her day to day work situation was in real terms closer to that of an employee, so she felt very strongly that Barclays' decision was unfair.

The adjudicators who looked at the complaint said that Barclays' decision was in line with its lending policy, so they couldn't recommend that the complaint should be upheld. Miss S didn't agree with their assessment and asked for an ombudsman to look at her complaint, so the case has come to me for review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have looked at Barclays' lending policy and at the contact notes relating to Miss S's request to extend the term and loan. Under the terms of the policy a contractor will be treated as someone who is self-employed if they have more than a 15% share in a limited company. The policy draws a distinction between those who pay their tax through a limited company, as Miss S now does, and those who use an umbrella service company to manage their financial affairs.

Miss S says, and I accept, that she didn't set up the limited company for tax purposes, but because she needed to have a separate legal entity to meet her professional requirements. But the existence of the company did affect how Miss S paid tax, which I think Barclays was entitled to take into account when deciding whether she fell within its definition of being self-employed.

In the case of someone who is self-employed Barclays requires proof of income for the previous three years, which Miss S could have provided. But it also required further documentation relating to self employed status over two years. Miss S wasn't able to provide this and, because she'd been self-employed by Barclays criteria for less than a year, there was no scope for Barclays to circumvent its policy and look at the individual circumstances of her case.

Barclays says that extending the term of the mortgage wasn't a problem. The difficulty arose because Miss S wanted to borrow more money for home improvements and couldn't meet the requirements for self-employed applicants.

When Miss S contacted Barclays about extending her mortgage, she also asked for permission to let the property. This suggests that she was considering alternative options to staying in the property at that time. If she'd wanted to keep the house and make the improvements she was planning, there were other ways of raising the money that would have avoided the need to pay the ERC. It's not immediately obvious why Barclays' decision not to extend the loan led to Miss S selling the house.

The policies and lending criteria that Barclays applies are matters of commercial judgement based on its experience of the mortgage market. Such policies provide a clear framework within which lending decisions are made with a minimum of risk. Unfortunately this does sometimes mean that individual cases may fall outside the policy, despite the fact that the risk to the bank is tiny. But that doesn't in itself make the policy unfair or wrong.

I do understand Miss S's frustration. She was in a strong financial position and could easily have managed the additional borrowing she was asking for. She feels it was a 'computer says no' situation. But, in a sense, that's how a policy works. We would only interfere if we thought the policy had been applied in a way that was unfair to Miss S. But for the reasons set out above, I'm satisfied that Barclays was entitled to assess her request to borrow more money by reference to its policies and lending criteria.

my final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 8 April 2016.

Melanie McDonald
ombudsman