

The complaint

Mr W complains that Barclay Bank UK PLC declined his mortgage application. As a result he had to pay an early repayment charge (ERC)

What happened

Mr W had a mortgage with Barclays in joint names with his husband, who he is now separated from. I understand that an ERC applied if the mortgage was repaid before the end of December 2023.

In 2022, Mr W applied for a mortgage in his sole name with Barclays through a broker. He said he was reducing his borrowing from around £299,000 to around £140,000. But Barclays declined the application because of his credit score. Mr W's broker appealed the decision, but Barclays would not change its mind.

Mr W arranged a mortgage with a different lender. But he had to pay an ERC of around £6,000 when he repaid the Barclays' mortgage. He also said the interest rate on the new mortgage was higher than he was paying with Barclays.

Mr W complains that Barclays has not treated him fairly. He said he wasn't allowed to appeal the decision to decline his application. He believed if he'd been allowed to do so, Barclays would have changed its decision. He pointed out that a lot of the new credit he'd taken out was because he'd separated from his husband. And the amount he was borrowing was less and he was already maintaining a higher mortgage on his own – so there was no increase in risk for Barclays.

The investigator did not think the complaint should be upheld.

Mr W did not accept what the investigator said. He made a number of points, including:

- He was not a mortgage expert and did not know Barclays' policies and procedures.
- His broker spoke to Barclays – it should have known what its policies were and told them to submit a porting application. Barclays ought to have picked up the broker's mistake.
- The consumer duty required firms to offer products and services that are right for customers. When his broker contacted Barclays, Barclays should have taken the time to understand his case and realised the broker had selected the wrong product.
- The reason he applied through a broker was because of an earlier phone call with Barclays. he was given incorrect advice by Barclays during that phone call and that meant he lost trust in Barclays.
- Barclays knew he was vulnerable – and under the consumer duty it should have done more to support him.

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 thank Mr W for his honesty in sharing what he has been through. He was clearly vulnerable – and I agree that Barclays should have made sure that it dealt with him sensitively because of that. But I'm afraid after considering very carefully what happened, I don't consider that Barclays has treated him unfairly or unreasonably. I will explain why.

I note that Mr W has referred to the consumer duty. But it only came into force on 31 July 2023. The events being complained about here were before that – and the duty is not retrospective, so it does not apply here. I still need to consider if Barclays treated Mr W fairly.

Barclays has provided the application submitted by the broker. It shows that it asked if the applicant has an existing mortgage with Barclays and for details of the mortgage. That section was left blank.

Further, I have not seen anything on the application that indicates that Mr W wanted to port an existing mortgage or this was anything other than a new mortgage application. He was receiving advice from a mortgage broker and there might be legitimate reasons why a borrower would want a new mortgage rather than port. It was reasonable for Barclays to process the application at face value – that it was an application for a new mortgage.

I can't see that Barclays acted unfairly or unreasonably in how it processed the application. It dealt with the application that was presented to it. And I can't see the decision it reached was unreasonable.

While the broker appealed Barclays' decision to decline the application – they did not set out that they wished to port the mortgage. They merely pointed out that Mr W had a mortgage with Barclays with his ex-partner. I wouldn't expect Barclays to interfere with the advice being given by a mortgage broker. Again, it was reasonable for it to accept the query at face value and that it related to a new mortgage application. The query came from a broker and it was for them to assess Mr W's needs and circumstances and recommend a mortgage that was suitable for him. I'm afraid I don't know why the broker chose to pursue a new application or did not explore porting with Barclays.

Even if Mr W had applied to port his mortgage with Barclays, it is not clear that it would have been approved. In certain circumstances, the relevant rules allow lenders to waive affordability checks. But in this case, Mr W was removing his husband from the mortgage. So Barclays would have been entitled to carry out its usual affordability checks. While I agree that Barclays would still have considered if Mr W could show he'd maintained the existing mortgage payments and that the amount of borrowing was going down, it seems likely that the result of any credit scoring exercise would have been the same.

I also note that even if Mr W had ported the mortgage, because he was repaying some of the mortgage, he would always have had to pay some ERC. But it would have been less than he actually paid.

In any event, I don't consider there has been any error by Barclays in processing Mr W's application. I can't see that it had any reason to consider that Mr W wished to port his mortgage, rather than making a new application.

Barclays has offered Mr W £200 for giving him incorrect information in a phone call in August 2022. Mr W should contact Barclays directly if he wishes to accept that offer.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 May 2024.

Ken Rose
Ombudsman