

The complaint

Mr B complains that despite being informed that he was pre-approved for a loan with Barclays Bank UK PLC, his application was declined.

What happened

On 28 December 2023 Mr B applied for a loan of £16,000 using his Barclays app. Despite him having pre-approved limits he was unable to complete the application.

Mr B contacted Barclays. His application was referred to the underwriters and was eventually declined.

Mr B complained to Barclays.

Barclays didn't uphold the complaint. It said the decision to decline the loan had been due to its credit scoring criteria and was in line with its lending policy.

Mr B remained unhappy and brought his complaint to this service.

Following the referral of the complaint to this service Barclays made a proactive settlement offer. It said it wasn't able to fully explain why Mr B's loan application was declined, but it would like to offer £200 for the distress and inconvenience caused to Mr B as a result of going through the process without it being able to offer a full explanation.

Our investigator said the offer was fair. Mr B didn't agree. He said he wanted to know the reason for his application being declined. He said he believed there was an underlying issue with his account settings and that if he accepted Barclays offer the problem wouldn't be rectified. Mr B said he'd obtained a loan elsewhere, but this was at a higher interest rate which would cost him £400 more over the term.

Our investigator didn't uphold the complaint. They said they hadn't seen any evidence that there had been an error in the way in which Mr B's account had been set up, or that this was a reason why the application was declined. The investigator said that Barclays had applied its lending criteria and reached a decision, and it wasn't the role of this service to review the lending criteria. The investigator said that Barclays had acknowledged the disappointment Mr B had been caused by it not being able to fully explain the decline and said they thought the offer of £200 was fair.

Mr B didn't agree. He said his concerns about his account not being correct remained. He said he didn't want compensation but just wanted to know that his internal account settings were correct. He said he'd never been declined lending in the past.

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've reviewed the final response that Barclays sent to Mr B. It stated that the application

hadn't reached the required internal scoring criteria for the product requested and said this could be due to a number of factors such as his personal details, account performance and credit reference agency data. Barclays said it had asked its underwriting team for further information, but it had replied with the same response.

It's up to each lender to set their own lending criteria. The criteria will vary from lender to lender. The factors that a lender might take into account may include things like credit score, income, existing credit, credit history and debt to income ratio. Information from credit reference agencies and information included on the loan application is also taken into account.

I appreciate that Mr B believes that there is an underlying issue with his account settings which caused his application to be declined. I've reviewed all of the information provided by Barclays and I haven't seen anything to suggest that there is a problem with Mr B's account, or that an issue with his account settings was the reason for the application being declined.

Based on the information I've seen, the reason for the decline was due to Mr B not meeting the internal scoring criteria. The system notes show that the underwriting team declined the application based on internal credit score. It said that Mr B's external credit score wouldn't alter the decision.

This service isn't able to require a lender to disclose the specific reason for the decline or how its internal scoring system works. However, I do need to be satisfied that Barclays applied its lending criteria fairly.

As I've said above, I haven't seen anything to suggest that there is a problem with Mr B's account. Barclays has provided an explanation for the decline, which is that the application hadn't reached the required internal credit score. Ultimately, the loan was declined as a lending decision, not because of a system error or an issue with Mr B's account.

I do understand why Mr B is frustrated and wants more information. I think Barclays acknowledgement of his disappointment and its offer of £200 compensation is fair. I won't be asking it to do anything further.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 August 2024.

Emma Davy
Ombudsman