

The complaint

Mr M complains that Barclays Bank UK PLC unfairly withdrew his mortgage offer. Mr M wants compensation in line with the loss of the savings that would have been achieved had the mortgage offer proceeded.

What happened

Mr M wanted to consolidate his debts by taking out a mortgage with Barclays on his unencumbered property. The borrowing was for £74,500.00. Mr M got a mortgage offer in April 2023. In May a surveyor visited the property for valuation purposes. After that visit Barclays told Mr M that the valuer said that the property was not suitable for lending purposes because of a private drainage system, the septic tank being located on adjoining land and a barn traversing the land to be taken into security. Mr M says he found this astonishing as this same parcel of land was subject to a Barclays mortgage previously and Mr M and his wife now owned the adjoining piece of land. Mr M complained and eventually Barclays replied on 13 July 2023 offering £200 for poor customer service but then suggested a different set of reasons for refusing the mortgage viz..” *based on our assessment the property is deemed unsuitable for security due to the retrospective warranty, its position on an abandoned building site and the presence of blight*”.

Mr M says this doesn't make sense. Mr M says that he owns both titles (one with his wife) and a simple solution to the security problem was for Barclays to take a charge over both titles after he had transferred the whole property into joint ownership with his wife.

Barclays says that that as the valuer had advised not lending on the property it wrote to Mr M's broker on 18 May saying that the application was being reviewed and further documents were required to help make a decision with chaser emails on 25 and 31 May 2023. On 6 June Barclays again emailed the broker saying that the application didn't meet its lending criteria and it was unable to lend. But Mr M didn't have a broker and the emails were going internally to Mr M's Barclays mortgage adviser.

Our investigator's view.

Our investigator didn't uphold the complaint, although she accepted that contradictory reasons were given for declining the application, her view was that Barclays was entitled to refuse the application if advised to do so by its surveyor. She felt that the offer of £200 compensation was satisfactory.

My Provisional Decision

As I disagreed with our investigator's view I issued a Provisional Decision in this complaint where I said the following:

“It's fair to say that there is some confusion on this file. In Barclays email to us sending its file I noted that it suggests that the application was at the DIP stage but in fact a formal mortgage offer was issued; that Mr M had a broker when he had not and I believe the reference to the broker is to Barclays mortgage adviser: and there are various references to

a valuation report on another property including in the final response letter.

A mortgage offer issued to Mr M based on the security of this property on 25 April 2023. The loan was for £74,500.00 based on a valuation of £726,000.00. Solicitors were at that stage involved and raised a title issue which Barclays passed to a firm of surveyors; The valuer seems to have reported on 17 May 2023. but the valuer noted a problem set out below:

“The property has a private drainage system, and the septic tank is located on adjoining land also owned by the applicant, but which is not within the proposed security. The property also has a barn, the footprint of which traverses land to be taken into security and the adjoining (sic) which is not in the proposed security. These factors create a contiguous land issue which (in the event of repossession) has the potential for any subsequent owners quiet enjoyment of the property to be impacted. The property is therefore not considered to be readily saleable or readily mortgageable and is not suitable security for mortgage purposes.”

As a result on 18 May, Barclays decided it wouldn't lend on the property. Barclays seem to have requested a further review by the valuer on 22 May, but the valuers said that was nothing there new to change its view. On 25 May Barclays Customer Care Relationship Support emailed Mr M's Barclays mortgage adviser which summarised the valuer's findings and that the property was outside lending policy and inviting an alternative proposal or the application would close after 30 days. A further email went to the mortgage adviser on 6 June saying that if an alternative proposal wasn't received by the application would be cancelled by 13 June. A further email was sent on 25 July from a senior analyst to the mortgage adviser on similar terms saying that the application was outside lending policy and inviting an alternative proposal. An email was sent from mortgage underwriting to the mortgage adviser on 16 August saying that as there was a lack of response from Mr M that the application was now closed.

Mr M was told on 20 May by email of what was said in the valuation report. On 21 May Mr M replied saying that Barclays had a previous mortgage over the title which it had accepted but that Mr M and his wife owned the adjoining land where the drainage was and also owned the barn. Mr M asked about an appeal but on 25 May the mortgage adviser told him “Unfortunately we cannot appeal their decision.” But this was on the same day that the mortgage adviser was being told that the application was being kept open and that although the existing proposal did not meet Barclays lending policy that it would look at an alternative proposal. It does seem that Mr M had a viable alternative proposal that would deal with the objections raised by the valuer which was to bring the land which he owned with his wife into the security and that would deal with the objections raised by the valuer. But Mr M was not advised that he could make an alternative proposal. When Mr M eventually made a complaint, from what's written in the final response letter it would seem that his file became confused with a totally different application.

I asked Barclays to re-look at the matter given the further information I received from Mr M and the fact that Mr M's proposal was not conveyed to them. Barclays says that the underwriters had considered the valuation and declined the application. But the Technical Valuation Team now say that it looks like Mr M offered a satisfactory resolution by bringing the adjoining land into the security. But this was not reviewed or considered at the time and if it had been that could have resulted in a different outcome, subject to meeting policy requirements.

So, on review Barclays accepts that Mr M made an alternative proposal that should have been considered but it can't confirm that this would have met all its policy requirements. I have to consider whether if Barclays had considered Mr M's alternative proposal whether it was likely that Barclays wouldn't have declined the application.

It should be said that as Mr M already had a mortgage offer he had substantially met Barclays policy requirements. The remaining issue was whether the security offered, which I understand was worth £700,000.00 or thereabouts would be sufficient security to cover the loan of about £70,000.00. Although Barclays had lent on the property before I recognise that the valuer's objections were genuine, but Mr M had a solution which wasn't put to the valuer. The solution on the face of it which was to unite the adjoining titles and extend the security over that would seem to meet the surveyor's objections and I note that Barclays now says that this offered a satisfactory resolution.

So, my view is that Barclays should have considered Mr M's proposal and that if it had done so, the security offered would have been acceptable and that Mr M's mortgage offer would have materialised into an actual mortgage. Before that happened, there would have been a number of adjustments required. As the house was in Mr M's sole name and the adjoining land in joint names, Barclays may then have amended the mortgage offer to joint names and required the transfer of all the property to joint names.

After the mortgage offer was withdrawn, Mr M says that he tried to sell the property but the sale fell through and he then contacted the broker for a remortgage at the end of November 2023 with the remortgage completing on 20 March 2024. That mortgage was in joint names with his wife over the now joint property. It was for a higher mortgage amount of now of £83,000.00 to include Mr M's wife's credit card borrowing. The borrowing was also on an interest-only basis.

My view is that this complaint should be upheld, and Mr M should be put in the position he would have been in had Barclays accepted his revised proposal. If it had, it's likely that a revised joint mortgage offer would have issued and that there would have been a change to the title to the property and the loan would have completed. When would that have been? Barclays would have had to consider the proposal, there would have had to be changes to the mortgage offer, changes to the title and a re-valuation. So, I would suggest that it may have taken a period of 10 weeks from when Mr M should have been invited to submit his alternative proposal – on 25 May 2023 - until completion. So, completion was likely to have happened on 3 August 2023. To compensate Mr M, Barclays should do the following:

- 1. Cost to Mr M of not having his debts consolidated earlier.*

If Mr M's alternative proposal had been properly considered by Barclays, those debts that Mr M wished to consolidate in the mortgage would have been consolidated at completion on 3 August 2023. That didn't happen until 20 March 2024 and Mr M paid interest on those debts for a longer period than he should have had to do. So, Barclays should refund Mr M the difference in interest payments that he continued to pay on his existing debts and the interest that he would have been paying to Barclays on the proposed Barclays loan between 3 August 2023 and 20 March 2024.

- 2. Higher rate of interest Mr M is paying on new mortgage?*

I've considered whether I should compensate Mr M for the higher interest that Mr M is now paying. But there are reasons for this rather than simply a delay in completion. With the new loan, Mr M chose an interest-only mortgage rather than a repayment one and doesn't have a fixed rate Either or both of these changes may be responsible for the difference in the interest rate, so I don't consider that compensation for that is due.

- 3. Broker's fee.*

In order to get a new mortgage Mr M engaged a broker. From the documents that Mr M has produced to me, he appears to have paid a direct fee of £495 and the broker received

commission from the new lender of £332.00. If Mr M went ahead with the mortgage with Barclays, there would be no broker's fee and there is an argument that the whole fee should be returned to Mr M. On the other hand, as Mr M took out a different type of mortgage with the new lender after his discussions with the broker, he clearly received some benefit from the advice. On balance I believe that it would be fair for Barclays to return 50% of the total broker's fee of £827.00 which is £413.50. Interest should be paid on that figure from when Mr M paid it until it is repaid by Barclays.

4. Solicitor's fees

Mr M paid solicitors fees during the eventual remortgage for the transfer of title of the property to joint names. That would have had to happen in any event and isn't required to be repaid.

5. Distress and Inconvenience

Mr M was told that his mortgage offer was being declined and given no right of appeal. If he had been listened to, my view is that his appeal would have been successful. This would have caused him disappointment and then he had to develop and implement alternative plans with the associated inconvenience. I believe that £500 fairly compensates him for that.

I issued my Provisional Decision and invited submissions from both parties, and I set out those responses below.

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.

Barclays indicated that it hoped that a resolution could be reached and has told us that overall it doesn't dispute my Provisional Decision but asked for evidence that Mr M repaid the debts and asked us to reconsider whether it should be asked to repay 50% of the procurement/commission fee of £332 paid by the lender to the broker as Mr M didn't have to pay this. I note that Mr M is content with my decision and is content to provide such evidence as he does have in relation to the repayment of the debts and agrees that he does not require Barclays to pay him the fee paid by his new lender to the broker.

So, having considered the evidence and the further submissions I believe that my Provisional Decision represents a fair outcome to this complaint save that I do not require Barclays to pay Mr M 50% of the £332 fee paid by the lender to the broker. I believe that at this stage I should issue a Final Decision to bring finality to the complaint. The parties can then deal with each other directly. I recognise that Barclays requires information from Mr M to calculate his loss and that Mr M has been supplying it through ourselves but in my view it would hasten bringing the complaint to a conclusion if the parties would now deal directly with each other. Mr M has in the past few days provided us screenshots from his bank account and updated a spreadsheet which he previously supplied and we are passing this on to Barclays. So, I will now issue a Final Decision upholding this complaint.

Putting things right

1. Barclays should refund Mr M the difference in interest payments that he continued to pay on his existing debts and the interest that he would have been paying to Barclays on the proposed Barclays loan between 3 August 2023 and 20 March 2024. In order to calculate that sum, Barclays may require further information from Mr M. Mr M should provide Barclays such information as it may reasonably require and Barclays should provide Mr M with such

information as he may reasonably require about this calculation.

2. Barclays should pay Mr M 50% of £495 broker's fee - £247.50 - and interest on that at 8% simple from the date that he paid it to his broker to the date it was repaid by Barclays. If Mr M is required to pay tax on this interest to HMRC, Barclays should supply Mr M with a certificate of tax paid should he require it to allow him to reclaim that tax if he is able to do so.

3. Barclays should pay Mr M £500 for his distress and inconvenience.

My final decision

My decision is that I uphold this complaint and require Barclays Bank UK PLC to make the payments to Mr M as set out above,

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 December 2024.

Gerard McManus
Ombudsman