

The complaint

Ms W complains that she was given incorrect advice about how much money she would have to purchase a property after porting her mortgage with Barclays Bank UK PLC. Ms W said that meant she had to use all her savings to buy her home and borrow more.

What happened

Ms W said she wanted to move house, partly for family reasons. So she talked to Barclays about porting her existing mortgage, and later added in a small amount of new borrowing. But she said Barclays gave her the wrong amount, when it told her how much she would have available from the sale of her old property to put towards the purchase of a new home. Barclays' mortgage advisor hadn't allowed for the fact that Ms W would need to pay off the existing borrowing on her previous property out of the sale proceeds from her home, and that would reduce the money she had available to buy somewhere else.

Ms W said that meant she was over £40,000 short of the purchase price. She said she only discovered this after contracts were signed, when she was just a day or so away from completion. So Ms W said she had no alternative but to use her savings to buy the property.

Ms W then also borrowed more against the property, taking a further £20,000 in lending to replace at least some of her savings. Ms W said this money was needed to make adaptations to her new house, but she said that with inflation, this was no longer enough to make the adaptations she needed. She also said money was tight now, and she'd found lots of unexpected things wrong with the new property.

Ms W said that although she now had a house which was worth a little more, she'd lost a significant amount of savings. Ms W said it was very worrying not to have that financial safety net which those savings had provided. She said she relies on having savings in place, for reasons connected to some health issues, which I have taken into account but do not need to set out here.

Ms W said all of this only happened because she relied on Barclays' advice. She wanted Barclays to do something about the money she said she'd lost.

Barclays said it accepted it had made a mistake, because it hadn't correctly calculated the equity that Ms W would have from selling her old home. But it said that Ms W was sent the correct figures in her offer, and her solicitor had been sent this too. So it was regrettable that neither Barclays, Ms W nor her solicitors had picked up on the mistake.

Once the mistake was found, Barclays said that it had worked with Ms W to offer options, including a last-minute change to her mortgage, or further lending straight after the mortgage was granted. Ms W had taken the second option, and Barclays said it had put this extra lending in place for her quickly after her move.

Barclays said it had offered Ms W £400 to say sorry for its mistake, but she hadn't accepted that. Barclays said Ms W had asked it to reduce her mortgage balance, or her interest rate, but Barclays said it couldn't do either of those things for her in this case.

Our investigator didn't think this complaint should be upheld. She said she didn't think Barclays had explained to Ms W how much she would need to buy her new property and our investigator thought Barclays' mortgage advisor should have made that clear. But our investigator said that when Ms W found out there had been a mistake, she did have an opportunity to pull out of the transaction, but didn't. So our investigator thought Ms W would still have continued with the purchase, if she'd found out about the shortfall earlier.

Our investigator didn't think that Barclays had to cover the shortfall between Ms W's initial borrowing and her purchase. She thought that the additional borrowing that Barclays had provided should cover the adaptations to the property that Ms W wanted. So she thought the compensation of £400 that Barclays had offered was fair and reasonable here as it recognised the inconvenience caused to Ms W.

Ms W strongly disagreed. She said she was given incorrect advice by Barclays in early 2023, and that started a chain of events which had left her significantly worse off. Ms W said she'd explained to Barclays what she wanted, a smaller house closer to family, and she didn't want to use her existing savings to secure this. Ms W said that if Barclays had given her the right information, every decision after this would have been different. She might not have moved house at all, and if she had, she would have chosen a different property. She said she'd never even have looked at the property she ended up buying, because she would have known she couldn't afford it.

Ms W said that she'd looked at a cheaper property first, which she said again demonstrated her price point as well as the sort of property she wanted.

Ms W said just because she was able to borrow more money didn't mean she wanted to do that. And even with the additional borrowing, her savings safety net was still £20,000 less than it was before. She might have more equity in her property, but she can't access that money.

Ms W said she'd built up a savings pot because of concerns about her health and future ability to work. But now, to access that money, she would need to sell her house or remortgage, either of which would come with delay and extra costs.

Ms W set out a timeline that she said showed how quickly she needed to make a decision, telling us that she didn't receive notice of a shortfall until the afternoon of Friday 8 December, and funds were needed for the following Monday. Barclays didn't confirm there was an error until late in the afternoon. So she said she had only twenty or twenty-five minutes to decide what to do.

Ms W said that Barclays never offered her the option to cancel the move, or confirmed she would be reimbursed for the costs incurred in cancelling the move. She said that the only solutions Barclays offered were to use her savings then apply for extra money, or to increase her mortgage right away.

Ms W said she was now paying more each month for a mortgage she didn't want. The interest rate on that was higher than on the original borrowings, and the term for the extra £20,000 was longer, so she would need to work for longer. Ms W said she had reduced her standard of living to maintain these payments, and no longer had the funds to complete the adjustments to her property, that she needs. She said she couldn't wipe out her existing savings to do that, she needed to retain that safety net in case she became unable to work, and £20,000 wasn't enough to pay for the adaptations now anyway.

This case was then passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I think it's important to start here by acknowledging that Barclays did make a mistake, and I do think this mistake then set Ms W's expectations about the property she could afford. I understand Ms W sees the position she's in now as a direct result of that initial mistake, but I will need to think about this further, as part of considering what it's fair and reasonable to ask Barclays to do in this case.

When this case came to me, I asked Ms W for some more information in this case. She had told us that she was already tied in to the purchase by the time she discovered Barclays' mistake. So it looked like Ms W's solicitor may have committed her to a purchase without checking the mortgage offer was sufficient to fund this purchase.

In response to our queries, Ms W told us that she signed contracts on 29 November, however these contracts were not exchanged until 11 December. That means Ms W was not under any legal obligation to complete this purchase until 11 December. She did so, and completed the next day, on 12 December.

Ms W spoke to Barclays about the mistake on Friday 8 December. I do think she certainly faced an unenviable decision then, whether to go ahead with exchange on Monday 11 December and then to complete and move house on 12 December. She's told us she had to make a decision very quickly. And I accept that pulling the plug on the move at the very last minute would have left Ms W in a difficult position. She had presumably already packed, and she told Barclays she had arranged for services to be disconnected at her old home. She would also certainly have been left with wasted costs.

I also note that Ms W appears to have believed at the time that this was her mistake, rather than a mistake by Barclays, which I think all sides now agree is what happened. So it doesn't appear as if Ms W had realised that Barclays might cover her wasted costs.

Ms W said Barclays never gave her an option to back out of the sale, but having listened to the calls she had with Barclays, Ms W told Barclays she was completing in a couple of days. I haven't been able to hear her let Barclays know that she hadn't yet exchanged. So I wouldn't have expected Barclays to realise then that Ms W wasn't legally committed to her purchase, and to ask whether she did want to go ahead.

But I do have to bear in mind that Ms W wasn't actually committed to this purchase on 8 December, when the mistake was discovered. Contracts hadn't been exchanged. She could have backed out, and searched for a house which she could afford without accessing her savings.

Ms W decided not to back out, but to go ahead with her purchase. Ms W then took out extra borrowing to replace her savings. She's told us that covering the extra costs of her property purchase and taking extra lending has put her under some financial pressure, meaning she's struggling to find the money to resolve additional problems she has found with her new home, and also that escalating costs since then have meant she cannot afford required adaptations to her home. I'm sorry to hear this. But unfortunately,

I cannot say now that the position Ms W complains about, is solely a result of what Barclays did. I think it's mainly because Ms W made the decision to go ahead with the purchase of her new home.

However, that doesn't undo the fact that Ms W was misadvised about her mortgage by Barclays. And it's because of that incorrect advice, that Ms W was left with this unenviable decision on whether to use her savings, or to pull out of her purchase at a very late stage. I don't think Barclays is responsible for all the financial consequences Ms W says flow from her decision then, so I cannot fairly ask Barclays to contribute to those. But I do think it's responsible for putting her in the difficult position where that decision had to be taken. And so I will ask Barclays to pay £750 in compensation. That's partly to reflect that I think this has had a more significant impact on Ms W than Barclays may have realised. And also because, in my view, Barclays' level of responsibility for that impact is a little greater than I think Barclays has realised.

I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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 accepted my provisional decision. Ms W sent further detailed observations.

In dealing with this case, and in responding to Ms W's representations in particular, I'm aware I've summarised the events in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I have read and considered everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues.

Ms W said that affordability was a key issue for her when deciding to move, and she felt she should have been able to rely on Barclays' advice. But Barclays had repeatedly confirmed the figures that she later found out were wrong.

Ms W said she didn't know that she wasn't legally committed to her move on 8 December, until our service asked about this. She said she had understood that when she signed the contracts, she was committed to the sale and purchase, and hadn't realised that wasn't the case until she read the provisional decision.

Ms W said if she had known that she wasn't tied into the purchase, and also that Barclays might cover the costs she'd incurred, then she would not have gone through with this property purchase. Ms W said she thought Barclays should have discussed all the options with her, but it only offered her additional borrowing.

Ms W said she'd reread the offer Barclays had sent her, and could see that as part of a detailed and lengthy offer document, Barclays had said her existing mortgage must be repaid either before or at the same time as this new mortgage was taken out. Ms W said that wasn't clear, in fact it was buried, and it should have been highlighted or provided for in the signed mortgage offer from Barclays.

Ms W said that she also thought Barclays had asked for payment of an Early Repayment Charge (“ERC”) although that wasn’t actually due. (Unfortunately, I won’t be able to consider this issue here, as Ms W hasn’t yet complained about that to Barclays.)

Ms W said she didn’t understand why she was the only one paying for Barclays’ incorrect advice. She thought Barclays should pay at least a third. Ms W set out how this had affected her, she provided further details on her health concerns, and explained why this means she would find simply selling the property she has moved to, very difficult. She also explained that she relies on having savings as a safety net, which she no longer has. Ms W said she will now need to work longer than planned, and wasn’t able to make the adaptations to her home that she needed.

Ms W said Barclays’ failure here was a very significant one. She didn’t think it had met the outcomes required in the Consumer Duty. Ms W said that I should follow the principles established in previous cases taken to our service, and ensure she wasn’t penalised for relying on the guidance of a regulated institution.

Ms W said that if she had been given all the options, she would have returned to a property where she’d earlier had an offer accepted, which was much cheaper. But instead, she had three mortgages, with different rates and durations.

Ms W wanted me to reconsider my provisional decision.

My provisional decision sets out that I do think Barclays made a mistake here, and that this mistake left Ms W in an unenviable position, having to make a decision about what to do very shortly before she was due to exchange and complete on her purchase. Ms W has said that Barclays didn’t observe the requirements of the Consumer Duty here. I don’t think there’s any doubt that Ms W is right about that. But that doesn’t mean that Barclays is then automatically responsible for everything which Ms W says happened after this.

I have also said I didn’t think Barclays should have understood, when Ms W contacted it on 8 December, that she wasn’t yet legally committed to her purchase. Ms W now says Barclays should have asked her about this, and she wasn’t aware when she spoke to Barclays about the shortfall that she could still have backed out of this transaction.

But I don’t think Barclays is responsible for setting out for Ms W what her legal position was when the shortfall was discovered, and therefore what options she had. That was something I would expect her solicitor to have done.

Ms W said it was her solicitor who contacted her to say she didn’t have sufficient funds to complete the purchase. I would have expected her solicitor to explain then that Ms W wasn’t yet legally committed to the purchase, and to ask if she wanted to try to raise additional funds, or if she wanted the solicitors to let the sellers know she would unfortunately not be completing the purchase after all.

If that wasn’t done, and Ms W simply didn’t know when she spoke to Barclays that she could have backed out of her purchase, then I don’t think it would be fair and reasonable in this case to hold Barclays responsible for that, or indeed the consequences which Ms W says flow from that. For those reasons, I don’t think I can ask Barclays to simply write off all, or part, of the additional lending Ms W took out in order to be able to purchase her new home.

Ms W also said she felt I should follow a previous decision of our service. Our service doesn’t work in the same way as a court of law, so I am not obliged to follow previous decisions reached here. Rather, each decision is considered and assessed on its own merits. However, that said, the decision that Ms W has pointed me to doesn’t seem to me to

be substantively different to the decision I have reached here. I should stress that Ms W's third (and unexpected) mortgage borrowing was actually secured at a lower rate than her second, planned mortgage, so it wouldn't be appropriate to compensate Ms W for the interest rate she is paying for that third round of lending.

I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Barclays Bank UK PLC must pay Ms W £750 in compensation. Barclays Bank UK PLC can count towards that amount the sum of £400 it previously offered, only if that amount has already been paid to Ms W.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 13 January 2025.

Esther Absalom-Gough
Ombudsman