

The complaint

Miss M complains about problems with her Buy To Let ("BTL") mortgage application with Barclays Bank UK PLC. She said Barclays changed its mind about her lending, after everything was agreed, and she told us she'd lost out on rental income as a result.

What happened

Miss M wanted to remortgage with Barclays. She planned to rent out her former home, so she wanted to change her mortgage type from residential to BTL. Barclays had her property revalued, as the mortgage type was changing. The value was lower than she expected.

Barclays then said Miss M could only have a mortgage at 75% loan to value (LTV) and she may have to make a modest payment to her mortgage to bring the total borrowing under this amount. Miss M accepted this, but although she said that at this point she'd agreed a rate and everything was in place, the offer wasn't received by her solicitors. They told her she'd have to consider taking a loan at 70%.

Miss M said she couldn't afford to make up the difference if she was only borrowing 70% of the reduced valuation, so she couldn't take out this lending. She was very unhappy that Barclays had gone back on its word, and about all the delays in coming to a decision. She said she was losing money, because she hadn't been able to rent the property out. And she said interest rates had gone up twice while Barclays was considering her application. She'd been offered lending at around 3% at first, but would now have to pay much more than that.

Barclays said it had valued Miss M's property as a result of the change of mortgage type, and unfortunately it felt the valuation for mortgage purposes had to be reduced. That meant her LTV had changed, so the application had to be changed. And when the underwriters looked at the revised application, they felt they could only offer lending at 70% LTV.

Barclays said it had checked with senior underwriters, and 70% LTV is what it felt was affordable for Miss M. It wouldn't change its mind about this. But it did say it thought it could have told Miss M about the reduced lending sooner, so it said it would like to pay Miss M £300 for the distress and inconvenience caused.

Our investigator thought this complaint should be upheld. He said Barclays had explained to Miss M the reasons why her property valuation had changed. Its previous valuation of the property was an automated valuation for rate switch purposes, and it needed to carry out a full valuation when she wanted to change mortgage type. Ultimately, it decided it could only lend 70% of the revised valuation. It then appealed this decision to senior underwriters, but didn't change its mind. It wouldn't lend outside of its own criteria.

Our investigator said Barclays is entitled to set its own lending criteria, and he was satisfied those had been applied fairly. But it was disappointing that Miss M wasn't told by Barclays about its change in lending amount earlier.

Our investigator didn't think Barclays had to cover the difference between the payments Miss M was making, and the payments she'd expected on her new mortgage rate, because Miss M wasn't actually able to get the loan for the amount she wanted. But he did think Barclays should pay more compensation. He said it should pay £125 now, to make £425 in total.

Miss M didn't agree. She wanted to know why her lost rental income hadn't been considered. She said she was waiting for this BTL mortgage to be agreed, so she could rent out the property. And without that tenant in place, she was making a loss of £780 a month.

Miss M said she'd also had a very stressful experience with Barclays since September 2020 when her previous two year fixed rate agreement came to an end. She said Barclays hadn't supported or advised her when she called to enquire about what she should do next.

Miss M said mortgage rates had skyrocketed since she made this application to Barclays, and the total amount our investigator suggested hardly covered the difference in payments for two months of mortgage repayments.

Our investigator didn't change his mind. Miss M wanted her complaint to be considered by an ombudsman, so it was passed to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

Miss M said her previous fixed interest rate ended sometime in 2020. She's told us Barclays didn't support her at that time. But as I can't see this formed part of the complaint she made to Barclays, meaning it hasn't yet had a chance to respond to this, I won't consider that here.

Miss M appears to have been planning to rent out this property for some time. She told us she applied for consent to do so in 2021, but was refused. In late August 2022, Miss M applied for a mortgage. She decided she wanted to change to a BTL mortgage at this point, and Barclays valued her property, because it was changing the basis of her lending. This valuation was lower than previously.

Miss M then had detailed conversations with Barclays in late September about the need for her lending to be at a higher LTV, and whether she could make a payment to her mortgage to bring the remaining lending within the maximum available 75% LTV. Miss M said she thought everything was agreed at this stage. She'd accepted a rate, and she had already signed some paperwork, so she thought Barclays should have then just issued the offer. But Barclays said when it processed this application, it could only lend up to 70% of the revised value of Miss M's property.

Miss M was adamant that everything was agreed on this mortgage in late September. She said the conversation she had with Barclays then led her to believe this. But I've listened to the call Miss M had with Barclays then, and Barclays' agent did say that this was still an application. I can understand why Miss M was disappointed not to get the lending she'd applied for, but I don't think Barclays had made promises to lend to her at 75% LTV.

However, I do think that Barclays delayed in letting Miss M know about the change to its proposed lending. Miss M's solicitors did write Miss M a note about this in early October, but she didn't notice that until late that month. I think this information should have come from

Barclays, and been passed directly to Miss M, at that time. Barclays itself doesn't seem to have told her about the reduced lending it could offer until the start of November. I think that represents a lapse in service by Barclays, and I agree with our investigator, that Barclays should pay an additional £125, on top of the compensation it has already paid here.

Miss M said she wanted compensation for her losses from not renting out the property, and for still being on Barclays' SVR now. But it's important to bear in mind that, although I did think Barclays had delayed in informing Miss M of its decision not to lend what she wanted, I didn't think that decision was wrong. And Barclays' decision didn't prevent Miss M from then remortgaging elsewhere.

Miss M told us she went onto Barclays' SVR in 2020, but didn't remortgage at the time. And she considered renting in 2021, but didn't pursue a BTL mortgage then. I also understand Miss M hasn't pursued a BTL mortgage elsewhere more recently, after she became aware that Barclays had decided it couldn't lend the amount she wanted. I haven't been able to see that the losses Miss M would like me to consider in this case are the result of Barclays' delay in informing Miss M of its decision on her BTL mortgage application.

I know Miss M will be disappointed, but I don't think Barclays has to pay more than the additional £125 which our investigator has already suggested. I think that does provide a fair and reasonable outcome to this complaint, so that's what I'll now award.

My final decision

My final decision is that Barclays Bank UK PLC must pay Miss M a total of £425 in compensation. Barclays Bank UK PLC can count towards that award any compensation it has already paid to Miss M for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 August 2023.

Esther Absalom-Gough
Ombudsman