

## **The complaint**

Mr and Mrs B's complaint is that Barclays Bank UK PLC incorrectly reported a payment arrangement as arrears on their credit files. They say that as a result, they couldn't get a mortgage to purchase a new property. Mr and Mrs B also say that when they then asked Barclays to agree to port (transfer) their mortgage onto a new property, the bank declined to do so, which they say is unfair.

## **What happened**

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, Barclays has accepted it made an error in reporting the payment arrangement as missed payments, and so I don't need to analyse the events in detail in order to determine if the bank made a mistake.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs B being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr and Mrs B have a mortgage with Barclays taken out in October 2019. They borrowed a total of £327,400 over a term of 17 years on a capital repayment basis. In October 2021 Mr and Mrs B took out a five-year fixed interest rate product, at which point the balance of the mortgage was approximately £298,500.

Unfortunately from October 2021 payments on the mortgage started to be missed and arrears on the account began to build up. Mr and Mrs B spoke to Barclays about this and it was agreed that the bank would accept a reduced payment for three months. Mrs B explained to Barclays that she'd injured her back, but was hoping to return to work.

The arrangement was renewed in January 2022, albeit after a slight error by Barclays in not implementing this when Mrs B spoke to the bank in December 2021. The arrangement was that Mr and Mrs B would make a reduced payment of £461.70, which was approximately 24% of the actual monthly repayment due of £1,922.

In April 2022 Mrs B explained to Barclays that her health problems appeared to be more long-term than originally anticipated, as a result of which she wasn't able to return to work. She explained that she and Mr B had put the property on the market and were downsizing, which would give them a lump sum to pay back the arrears and their other creditors, and reduce the size of their mortgage. Given that the property was being sold, Barclays renewed the payment arrangement for another four months.

Mr and Mrs B went to a mortgage adviser to arrange a new mortgage. It was at this point they discovered that Barclays had recorded a missed payment on their credit files in

December 2021. Mr and Mrs B say that, as a result of this error by the bank, they weren't able to get a mortgage elsewhere to enable them to downsize. Mr and Mrs B were also distressed to keep receiving arrears letters from Barclays when they were in a payment arrangement.

Mr and Mrs B complained to Barclays. The bank accepted it had made an error, amended the credit file to show December 2021 as an arrangement to pay and offered £400 compensation, which Mr and Mrs B didn't accept. They say that, but for the bank's error, they'd have been able to get a mortgage elsewhere, move house and clear their debts.

Instead Mr B withdrew a lump sum from his pension and in November 2022 paid off the arrears of about £14,000. Mr and Mrs B say that Mr B will now lose about £9,000 a year from his pension, which they think Barclays should compensate them for.

In addition, Mr and Mrs B are unhappy that Barclays refused to allow them to port (transfer) their mortgage interest rate product onto a new mortgage on another property. Barclays agrees that it should have given Mr and Mrs B the opportunity to speak to one of its mortgage advisers. However, the bank said that it would not have agreed the request in any event, due to the level of arrears and the payment history, which meant that they would not have met the bank's lending criteria.

Mr and Mrs B are still in their original property, having paid off the arrears from Mr B's pension lump sum, and I am told that the mortgage is up-to-date.

Mr and Mrs B brought their complaint to our service. An investigator looked at what had happened. She acknowledged Barclays had made an error in relation to the December 2021 payment – which in turn triggered arrears letters. The investigator thought the £400 compensation was fair in all the circumstances.

In relation to the bank declining a request to port the mortgage interest rate product, the investigator was satisfied that, given the account history, Barclays was entitled to decline this.

Mr and Mrs B disagreed with the investigator's findings and asked for an ombudsman to review the complaint.

Mr and Mrs B are concerned about Barclays' internal controls that failed to identify the bank's error with the missed payment marker. They said that it appears an apology from the bank exonerates it from any significant penalties. Mr and Mrs B say they were told by several brokers that the payment arrangement would not have impacted on them getting a new mortgage, but the missed payment meant they weren't able to proceed.

Mr and Mrs B also say that there has been no consideration of the impact of this on Mrs B's health, and that there was no alternative but for Mr B to withdraw the funds from his pension after they weren't able to sell and downsize.

### **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.

Having done so, I've reached the same conclusion as the investigator, for broadly the same reasons.

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes and systems, or how they operate generally; that's the role of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else, but in doing so, we have to work within the rules of the Financial Ombudsman Service and the remit those rules give us.

We have no power to sanction, punish or fine businesses – that's the role of the FCA. So whilst I've noted Mr and Mrs B's comments about what they perceive to be a failure of Barclays' internal controls, supervising the bank's systems doesn't fall within my remit.

Credit file: Barclays has accepted that in December 2021 it incorrectly recorded the payment arrangement as a missed payment and that, when it corrected this in January 2022, it wasn't carried through by one of the credit reference agencies.

Mr and Mrs B say that, as a result, they weren't able to get a mortgage with a new lender. However, I am not persuaded that this one event – the incorrect marker for the payment in December 2021 – had the impact that Mr and Mrs B believe it had.

I say this because, whether it was a missed payment or an arrangement to pay, any potential lender would have taken into account that Mr and Mrs B hadn't been able to make the full repayment on their existing mortgage for a number of months, and that arrears had accrued as a result. Whether or not a payment arrangement is in place, most mainstream lenders will not accept an application where there have been mortgage arrears within the previous twelve months (or, for one major lender, no more than three months' arrears in the past three years).

Other lenders, usually what are known as sub-prime lenders, will take mortgage arrears into account, as well as unsecured credit, but will often require all payments to have been made in full to secured and unsecured creditors for at least six months. The payment history will be reflected in the limited range of products available to customers with adverse credit.

So notwithstanding that the December 2021 payment was incorrectly recorded as a missed payment rather than an arrangement to pay, I'm not persuaded that this was the only reason why Mr and Mrs B couldn't secure a mortgage elsewhere. I think the level of arrears on the account would have been a major factor in determining whether or not Mr and Mrs B would have been eligible for a mortgage with another lender. In addition, Mr and Mrs B have told us they had other unsecured debt problems, which would also have been a contributory factor. I have not seen Mr and Mrs B's credit files, but from what they have told us, and because of the continuing mortgage arrears, I'm not persuaded Barclays' error resulted in them not being able to get another mortgage.

Porting request: Barclays has acknowledged that it could have arranged for Mr and Mrs B to speak to a mortgage adviser when they discussed porting their mortgage interest rate product onto another mortgage on a new property. I note that, during the conversations about the payment arrangements, Barclays asked Mr and Mrs B if they wanted to speak to a mortgage adviser, but they declined at that time.

However, Barclays says that it would have declined the application in any event, due to concerns about affordability.

There are regulations in place that have flowed from the Mortgage Market Review (MMR) carried out by the Financial Conduct Authority (FCA) which took place after the financial crash in 2008. This has led to a series of major changes, effective since 2014, in the way residential mortgages are regulated. MMR regulations have brought about requirements for stricter lending assessments, aimed at protecting consumers and encouraging mortgage lenders to act more responsibly.

The FCA recognised though that existing borrowers who wanted to make changes to their mortgages might have difficulties with this if they had passed tests under the old rules but wouldn't under the new ones. So, it introduced certain rules to address this. The rules are contained in the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).

MCOB says a lender doesn't have to carry out an affordability assessment if a borrower wants to vary or replace an existing mortgage and there is no additional borrowing (other than for product fees) and no change to the terms of the mortgage that is material to affordability.

Mr and Mrs B wanted to downsize, reducing their mortgage from (in September 2022) approximately £293,000 to about £230,000, increasing the loan-to-value ratio (LTV) from about 66% on their existing mortgage to about 72% on the new property. There were arrears of about £14,000 at this point, although from July 2022 payments on the mortgage itself were being maintained.

However, the payment history was material to affordability, and in addition Barclays' notes record that Mr and Mrs B were also in difficult with unsecured creditors. Furthermore, the increase in the LTV increased the risk to Barclays, which again was a material change to affordability. In the circumstances, I'm satisfied that Barclays' concerns about affordability were justified. If an application to port had been made, I'm not persuaded it would have been successful at that time.

Arrears repayment: After the payment arrangements ended, the mortgage was still substantially in arrears. Mr and Mrs B declined financial advice from Barclays, and instead said they were selling the property and would repay the mortgage in full.

After Mr and Mrs B weren't able to move, they needed to address the arrears. It was their decision to draw a lump sum from Mr B's pension to do this. I can't see that Barclays was made aware they'd done this until after the fact, or advised Mr B to do this. Therefore I'm not persuaded Barclays is responsible for this decision. Mr and Mrs B haven't explained how they would otherwise have been able to pay off the arrears, unless they had sold the property.

Customer service: Barclays has accepted it made a mistake in incorrectly recording the December 2021 payment as missed, rather than part of the payment arrangement. For the reasons given above, I'm not persuaded that this was the only reason Mr and Mrs B weren't able to get a new mortgage.

However, this did trigger system-generated letters that I know caused some distress and upset to Mr and Mrs B. Barclays has apologised, and offered £400 compensation, which I think is fair, reasonable and proportionate in all the circumstances.

As Mr and Mrs B have been up-to-date on their mortgage and arrears-free for the last year, if they want to move and downsize, they can, if they wish, speak to Barclays about porting their mortgage onto a new property. Any application would be subject to the bank's lending criteria.

**My final decision**

My final decision is that, in full and final settlement of this complaint, Barclays Bank UK PLC must pay Mr and Mrs B £400 compensation for distress and inconvenience. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 18 December 2023.

Jan O'Leary  
**Ombudsman**