

The complaint

Mr and Mrs P are unhappy with how Lloyds Bank Plc has treated them whilst they've been struggling to pay their mortgage.

What happened

Mr and Mrs P have a mortgage with Lloyds. In early 2019 they got into difficulties as Mr P was off work sick and then, at about the time he returned to work, Mrs P was made redundant. Unfortunately, due to ill health Mrs P has been unable to work since and has told us that she won't be able to return to work in the future.

In December 2019 Lloyds was granted an Order for Possession by the courts. Immediately following that Mrs P claimed her pension due to her ill health, and the lump sum she received from that was enough to clear the mortgage arrears.

Unfortunately, the account went almost immediately back into arrears as the monthly repayments weren't affordable.

Throughout this time Mr and Mrs P discussed matters with Lloyds. At various times they asked for payment holidays, a term extension and a switch to interest-only. All those requests were turned down.

Although I know things have moved on since then, I can only consider matters up until February 2020 when this complaint was referred to us. Anything that has happened, or new matters Mr and Mrs P have raised, since then need to go through Lloyds' complaints procedure first. If Mr and Mrs P remain unhappy once they've received a final response from Lloyds then they can refer those to us as new complaints at the time (subject to all our usual rules, of course).

Our investigator didn't uphold Mr and Mrs P's complaint. Mr and Mrs P didn't agree and so it's been passed to me to decide.

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.

Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

We'd expect a lender to look at offering help to consumers going through financial difficulties. The problem here is that Mr and Mrs P's financial difficulties weren't going to be temporary as Mrs P wasn't able to return to work. There's no doubt they've gone through very difficult times and continue to do so. Mrs P has been very frank about her health, and I

thank her for that honesty. I've not gone into detail about Mr P's ill-health to respect her privacy, but I've read and understood everything she's told us.

The pressure to make their mortgage payments against such a backdrop must have been immense for Mr and Mrs P. But my impartiality means I must also have regard for Lloyds' point of view. Mr and Mrs P have, as I said, been very frank about their circumstances. But from Lloyds' position, Mr and Mrs P owed it money and they hadn't met all their contractual repayments.

Mr and Mrs P's contractual monthly payment was £1,360 and they'd last paid that in full in March 2019. They paid £700 in April and £700 in June 2019, and before that even for the payments they did make, their direct debit bounced on the first attempt of collection in December 2018, January 2019 and March 2019.

Mr and Mrs P's mortgage was already on a preferential fixed interest rate at 2.31% which was competitive even for someone without mortgage arrears. So this wasn't a case where Lloyds could have helped by moving Mr and Mrs P onto a lower interest rate; they were already on a good rate. Lloyds was unable to offer payment holidays as the loan to value on Mr and Mrs P's mortgage was too high. In addition, payment holidays would mean the monthly payment would increase once the holiday was over, so whilst it may have helped for a couple of months, it just would have made things worse long term.

I understand Mr and Mrs P feel a change to interest-only would help them, but interest-only would normally only be considered as a short-term measure, for example for a consumer that was briefly out of work just to give them a month or so breathing space. It's not normally considered a long-term option for financial difficulties, as it just moves the problem further down the line. Mr and Mrs P have no way of repaying an interest-only mortgage at the end of the term, and a temporary switch to interest-only would mean their payments would be even higher by the time the mortgage was switched back to capital repayment, so would make things worse in the longer term.

Lloyds looked at extending the mortgage term but due to Mr and Mrs P's ages it could only extend the term by a couple of years which wouldn't have reduced the payments by any significant amount.

Mr and Mrs P said they could afford £300 a month to the mortgage. But even if the mortgage was switched to interest-only, their payments would still be around £500 a month (and that's not taking into account that at some point they'd have to change back to repayment, which would increase their payments even more).

Whilst I've great deal of sympathy for the situation Mr and Mrs P were in, Lloyds didn't act inappropriately in taking the legal action it did which led to the Possession Order being granted. Nor did it act inappropriately in not agreeing to a payment holiday or a switch to interest-only. It couldn't offer a lower rate as Mr and Mrs P were already on a preferential fixed rate, and the term extension wouldn't have been of any notable value. All things considered I can't see what else Lloyds could have done here.

I understand Mrs P has been in contact with our investigator with some queries about a future interest rate, a CCJ and her credit file. As our investigator explained, we can only deal with the complaint that was brought to us so we can't consider those issues here as part of this complaint. If Mr and Mrs P feel the new rate Lloyds has offered them is unfair, and that a CCJ and other markers on their credit files are wrongly recorded then they'll need to make a complaint directly to Lloyds about those matters. They can then refer those matters to us as new complaints if they are unhappy with Lloyds' responses (subject, of course, to our usual rules).

I would, however, say that any credit file markers that are a true reflection of the status of the account at the time (such as missed payment markers when payments were missed, and a default marker if the account defaulted) wouldn't be removed just because Mr and Mrs P want them to be and/or because the account was later brought up to date. Markers would only be removed if they are shown to have been incorrectly recorded.

Having considered everything, whilst I have a great deal of sympathy for the situation Mr and Mrs P found themselves in, I simply can't uphold this complaint no matter how much they may want me to.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 21 April 2021.

Julia Meadows

Ombudsman