

The complaint

Mr and Mrs G complain that Lloyds Bank PLC made errors and misled them when they redeemed their mortgage.

What happened

Mr and Mrs G contacted Lloyds in November 2021. Their interest rate product was due to expire at the end of November 2021. They wanted to redeem their mortgage on 1 December 2021.

Lloyds sent a statement to Mr and Mrs G which said they could make an online payment from their current account. Mr and Mrs G moved funds into this account. They then found out they couldn't make an online payment for the redemption amount, due to the amount of the payment.

Mr and Mrs G contacted Lloyds again and were told they had to arrange a CHAPS payment, for which they needed to visit a branch.

The mortgage was redeemed on 1 December 2021. However, a further direct debit payment was taken on that day and Mr and Mrs G had to wait for a refund.

Lloyds offered £200 for the upset and inconvenience caused to Mr and Mrs G by the unclear information and £30 for the cost of their calls. Our investigator said Lloyds offer was fair.

Mr G didn't agree, saying Lloyds behaviour was indefensible.

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.

Lloyds sent a statement to Mr and Mrs G, setting out the amount they needed to pay to redeem their mortgage on 1 December 2021. The statement said they could repay the mortgage with an online payment or by cheque. However, Mr and Mrs G couldn't make an online payment of the redemption amount from their current account because of the amount involved. They needed to pay about £375,000, and transfers from their current account were limited to £25,000.

Mr G says the statement should contain a warning about transfer limits. Lloyds accepts that it didn't discuss this issue with Mr G when he called on 8 November 2021. And it didn't tell him that their direct debit payment would be taken on 1 December 2021, even though he'd said he intended to redeem the mortgage that day.

Mr G contacted Lloyds when he realised the transfer limits would mean he couldn't make the payment online. He was told that, because of the amount involved, they'd have to visit a branch to arrange a CHAPS payment. While Lloyds had suggested they could arrange a CHAPS payment over the phone it gave them correct information (that they needed to visit a branch) later the same day. This was on 15 November 2021. I think this left Mr and Mrs G

with a reasonable amount of time to arrange to visit a branch.

Mr and Mrs G arranged the CHAPS payment and their mortgage was redeemed on 1 December 2021.

Mr and Mrs G's monthly mortgage payments were made on the first day of each month. Lloyds took a direct debit payment on 1 December 2021. This wasn't an error. Lloyds, like other lenders, doesn't cancel mortgage direct debits until it receives the redemption money. Direct debit requests are made in advance of the date the payment is due. So this payment was in process several working days before Lloyds received the redemption money from Mr and Mrs G.

I wouldn't expect Lloyds to cancel the direct debit request because Mr and Mrs G told it they intended to redeem the mortgage. As I said, lenders generally only cancel direct debits once the redemption money is received. This is so that contractual monthly payments are maintained if redemption is delayed or doesn't go ahead as planned.

Lloyds refunded the payment in accordance with its usual process. It told Mr G he could raise an indemnity claim with the bank that provided their current account, which might be quicker.

I don't think Lloyds made an error when it requested and processed the direct debit payment, or when it refunded it. But it could have told Mr G when he called that it would take the payment. Mr G wasn't expecting the payment (of about £1,300) to go out of the account and he says this left the account short for other payments. Fortunately, he was able to sort this out. Nonetheless, not knowing that the payment would be taken caused unnecessary upset and inconvenience.

Putting things right

Mr G says Lloyds was trying to overcharge them. I think that's unlikely. Banks are entitled to make commercial decisions about their processes, and I can't fairly require Lloyds to change its process. The error here was that Lloyds didn't give Mr and Mrs G clear information at the outset about how to make the payment to redeem their mortgage and that the direct debit would be taken on 1 December 2021. I think it's right that Lloyds pays compensation for the unnecessary upset and inconvenience this caused.

But Lloyds did give Mr and Mrs G correct information about how to make the payment in reasonable time before the planned redemption date. The mortgage was redeemed on 1 December 2021, and Lloyds took and refunded the direct debit in accordance with its usual process. In the circumstances, I think its offer of £230 is fair and reasonable.

My final decision

My decision is that Lloyds Bank PLC should pay £230 to Mr and Mrs G, as it offered to do. It can deduct any amounts already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 11 August 2022.

Ruth Stevenson
Ombudsman