

## **The complaint**

Mr A complains that Lloyds Bank plc made mistakes and caused delays when he tried to arrange a new fixed interest rate and a term extension on his mortgage.

## **What happened**

Mr A was worried about increases in his monthly mortgage payments following interest rate rises, so he contacted his existing mortgage lender, Lloyds, in January 2023 to discuss taking a fixed interest rate and also extending the mortgage term.

After assessing Mr A's situation, Lloyds said it could extend the term and switch the mortgage onto a fixed rate. However, part of Mr A's mortgage was being paid on an interest-only basis, so before it could make the changes Lloyds said it needed to know how Mr A intended to repay that part of the mortgage at the end of the term.

Mr A said he would sell another property he owns along with some land. Lloyds wouldn't accept that, on the basis that it had an existing charge on that property. Mr A explained that this charge had in fact been removed some years earlier. He had to provide various documents to prove this multiple times, and explain the situation repeatedly when dealing with different Lloyds staff.

Lloyds ultimately accepted that there was no existing charge on the property, and the term extension and a new five-year fixed interest rate of 3.92% were applied to Mr A's mortgage from May 2023.

Following Mr A's complaint, Lloyds accepted it had made mistakes. It offered Mr A £250 by way of compensation, and to backdate the new fixed interest rate to 1 April 2023. It said it would consider backdating a fixed rate further given the delays Mr A had experienced, but the earlier equivalent fixed interest rate products it had available were higher (4.32% in January and 4.12% in February). Mr A went ahead with the 3.92% rate.

The new fixed interest rate product wasn't in place in time for the May 2023 mortgage payment, and Mr A said he had to ask friends to lend him money in order to cover the higher than expected payment. Lloyds apologised and offered Mr A another £150 on top of the £250 it had already paid him, and backdated the fixed interest rate product and term extension to 1 April 2023. It also refunded Mr A's overpayments to him as he had requested, plus interest.

Mr A said Lloyds hadn't resolved his complaint and so he referred it to the Financial Ombudsman Service. He thought the rate switch should have been completed in February 2023 so Lloyds should backdate the fixed rate further, and that he should receive more compensation.

Our Investigator found that Lloyds had made mistakes but it had done enough to put things right. Mr A said he now accepted that Lloyds had corrected his mortgage, but its mistakes had had an impact on his wider financial situation and caused him a significant amount of stress and upset, including affecting his mental health. He asked for an Ombudsman's

review.

### **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.

First of all, I've noted what Mr A has told us about not having received all the information he considers he's entitled to from Lloyds following a subject access request he made. As our Investigator explained, he may be able to make a separate complaint about that if he's still unhappy with Lloyds' handling of his request. I don't, however, consider this a reason to delay my consideration of the complaint at hand here. I'm satisfied that I have enough information to come to a decision fairly; that information includes everything Mr A has said and provided and Lloyds' records and other submissions.

There's no dispute that Lloyds made mistakes and caused delays following Mr A's request for a new interest rate and a term extension. I must decide whether the steps it has taken to put things right go far enough in the circumstances.

I think Lloyds was reasonable in wanting to know how Mr A planned to repay the interest-only part of his mortgage at the end of the term. That was a relevant consideration before it agreed to the term extension. But it then dealt poorly with Mr A's proposal to sell another property and land – causing delay and a good deal of frustration and upset to Mr A, who was already worried about his mortgage payments as the interest rate on his mortgage was increasing.

The issue was eventually sorted out – Lloyds accepted the sale of the property and land as Mr A's repayment vehicle, and agreed a fixed interest rate and term extension with Mr A. It backdated the fixed rate to 1 April 2023. It gave Mr A the option of backdating a fixed rate further, but on the basis of the higher equivalent rates it had available earlier in 2023. I think that was a reasonable approach for it to have taken, and I don't find that I can fairly require it to backdate the 3.92% fixed rate any further given that this rate wasn't available to Mr A before 1 April. Lloyds also refunded Mr A's overpayments plus interest at a rate of 8% simple, which is the rate I would require it to pay.

Lloyds has therefore put right Mr A's financial loss in terms of his mortgage, and the only remaining matter for me to decide is how much compensation Mr A should fairly receive for non-financial loss.

I've carefully considered everything Mr A has said about the impact on him of what happened, and I recognise that he found this whole matter frustrating, stressful and time-consuming. He was worried about rising interest rates and the impact of those on his monthly payments the longer the problems went on, and I've taken account of what he has said about how this affected his mental health.

Mr A has also said he had to delay some building work because of the financial impact of Lloyds' handling of his rate switch and term extension, and rising costs mean the work will now cost him more. But I don't think I can fairly require Lloyds to compensate him for that, since it's far from certain that the work would have gone ahead as Mr A says he planned in any event, had Lloyds not caused any delay. I've also noted what Mr A has said about the cash incentive Lloyds was offering to new customers. That isn't, however, something he was entitled to as he was not a new customer, and it doesn't lead me to conclude that Lloyds should increase its offer of compensation to him.

In all the circumstances I consider that £400 is a fair and reasonable award. It reflects the considerable stress and inconvenience Mr A was caused, and the effort he was put to in sorting things out. In reaching that conclusion, I have kept in mind the guidance on our website about awards for non-financial loss, and what Mr A has said about his complaint meriting a more substantial award of between £750 and £1,500. Having weighed everything up, while I realise Mr A will be disappointed, I consider that £400 is fair in the circumstances of this complaint and I therefore find that Lloyds has made a fair offer to resolve this complaint.

### **My final decision**

My final decision is that Lloyds Bank plc has made a fair offer. It has backdated the fixed interest rate on Mr A's mortgage appropriately and refunded his overpayments plus interest, it has apologised, and it has offered a total of £400 compensation. It should therefore pay Mr A £400 compensation for non-financial loss in total (taking into account any payments already made).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 March 2024.

Janet Millington  
**Ombudsman**