The complaint

Mr and Mrs T complain that Lloyds Bank PLC didn't give them an answer when they asked to extend the term of their interest only mortgage. They also complain that it didn't offer them an interest rate product when their term expired. Interest rates increased during the delays, reducing their options and increasing their costs. Mr and Mrs T ask that Lloyds extends the mortgage term, offers them interest rate products and compensates them for financial loss.

What happened

Mr and Mrs T have an interest only mortgage with Lloyds. The term expired in December 2021. The term had previously been extended by three years. Mr T says this was due to changes to the age at which Mr and Mrs T would be entitled to a state pension.

Mr and Mrs T say they took independent financial advice and in early 2022 were advised to ask Lloyds to extend the term for three years. This was so that they could explore options for later life mortgage products. Mr and Mrs T say Lloyds said it would consider an extension with an interest rate product and give them a response by late March 2022.

Mr and Mrs T say they didn't get an answer from Lloyds, despite them writing and asking for an extension. During 2022 interest rates increased. This increased Mr and Mrs T's monthly payments and limited their options to re-mortgage. They say Lloyds didn't give them details of interest rate products.

Our investigator said while Lloyds had caused some delays, this hadn't caused Mr and Mrs T any loss. Lloyds couldn't agree to an extension without information from Mr and Mrs T, which they didn't provide. Our investigator said Mr and Mrs T had consistently told Lloyds they needed more time to take further advice. Lloyds put holds on recovery action to give them time to look into their options.

Our investigator said Lloyds should pay £150 for the upset caused by not calling Mr and Mrs T when arranged and for mistakes in its final response letter.

Mr T explained why they didn't agree and provided his own timeline and notes of discussions with Lloyds.

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.

We offer an informal dispute resolution service. I'm required to explain why I reach my decision. But I don't have to answer each point raised by the parties. I've reviewed both Mr T's notes and Lloyds' notes of what happened and what was discussed. I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Lloyds wasn't required to write to Mr and Mrs T offering interest rate products. During the mortgage term they could have contacted Lloyds if they wanted to ask about taking out a new product. Lloyds says it wrote to Mr and Mrs T when their interest rate changed, as I'd expect it to do.

I wouldn't expect Lloyds to send information about interest rate products to Mr and Mrs T when their mortgage term expired and their balance became due to be repaid. Fixed interest rate products usually have an early repayment charge (ERC). Lloyds wasn't required to offer Mr and Mrs T a new interest rate product, and I don't think it would have been fair to do so in circumstances where Mr and Mrs T might have to pay an ERC.

That leads to the issue as to whether Lloyds should fairly have agreed to extend the term of Mr and Mrs T's mortgage.

Lloyds wrote to Mr and Mrs T about the expiry of their mortgage term. It sent a letter dated 10 December 2019 which set out the mortgage expiry date, the outstanding balance and that Mr and Mrs T had said they intended to repay the balance with an inheritance. It sent further letters about the need to repay the mortgage at the end of the term in January 2021, July 2021 and in November 2021. The letters gave contact details if they needed to speak to Lloyds about their options.

In December 2021 Mr T told Lloyds they were taking advice. In early 2022 he said they looked into re-mortgaging, but this didn't proceed due to adverse data recorded (Mr T says incorrectly) on Mrs T's credit file. In February 2022 Mr T told Lloyds he'd spoken to two brokers who told him equity release products wouldn't be available to them for another three years due to their ages. Other later life products weren't available as the loan to value was too high. Mr T asked Lloyds to extend the term of the mortgage for three years on an interest only basis.

Rules on mortgage regulation require lenders to carry out strict affordability checks before offering or varying a mortgage. For an interest only mortgage, this includes checking there's a credible repayment strategy. Mr and Mrs T wanted Lloyds to vary their mortgage by extending the term. Rules on mortgage regulation provide limited exceptions which could allow Lloyds to extend the mortgage term despite concerns about affordability if it assessed this to be in Mr and Mrs T's best interests.

Mr and Mrs T provided income and expenditure information to Lloyds in February 2022, so it could help them explore their options. Mr and Mrs T didn't meet loan to value criteria for a retirement interest only mortgage and Lloyds doesn't offer lifetime mortgages. An extension with all or part of the balance on repayment terms wasn't affordable unless the term was extended past Mr and Mrs T's 90th birthdays. Mr and Mrs T had no savings or investments they could use to reduce the balance. Their preference was for a three-year extension on interest only terms. While none of these options met Lloyds lending criteria, it agreed to consider them outside its usual policy.

Lloyds didn't confirm the outcome of this to Mr and Mrs T until May 2022 – some three months later. It said it would consider an extension on a part repayment and part interest only basis, subject to a further review. It arranged to call Mr and Mrs T in mid-May 2022 to carry out the review. Lloyds failed to call as arranged. However, I don't think it was responsible for delays after this, or for the proposal to extend on a part and part basis not progressing. The reason for this was that Mr and Mrs T didn't provide the information Lloyds needed to decide if this would be in their best interests.

Lloyds tried to call Mr and Mrs T on 1 June 2022. When it spoke to Mr T in mid-June 2022 he said he wanted to write in with questions before proceeding. When Lloyds spoke to Mr T in mid-July 2022 he was feeling unwell and unable to talk. Mr T told Lloyds in September 2022 he wanted a response to all of his complaint points before going ahead. He also said the adverse data on Mrs T's credit file was preventing them moving ahead with their broker. In mid-October 2022 Mr T said he was still waiting for points made in his complaint to be clarified before discussing his options. He said they hadn't yet spoken to a broker that specialised in lifetime mortgage products and wanted time to do this. In early 2023, Mr and Mrs T still hadn't taken advice from a specialist broker. They said they were considering selling the property and moving closer to family.

Lloyds put holds on recovery action through 2022 and into 2023 to allow Mr and Mrs T time to explore their options. I think this was fair.

Lloyds was entitled to take some time to consider what it might be able to offer Mr and Mrs T, outside its usual policy. However, I can understand why Mr and Mrs T feel it took too long between February and May 2022 in doing so, especially as it didn't update them in March 2022 as they expected. Lloyds did give them an outcome in early May 2022, but didn't contact them as arranged in mid-May 2022 to review their circumstances.

I don't think this caused financial loss to Mr and Mrs T. When Lloyds did offer to consider an extension on a part and part basis Mr and Mrs T didn't progress this. I can't fairly find they'd have done so if Lloyds had offered this a month or so earlier. I can't fairly find that Lloyds would certainly have offered an extension if they had provided the information it needed to assess whether this was in their best interests.

Mr T says they missed out on options available to them in May 2022, before interest rates increased. But he'd told Lloyds they didn't have options due to their ages, the loan to value ratio and adverse data on Mrs T's credit file. I can't fairly find that any delays by Lloyds resulted in financial loss due to Mr and Mrs T missing out on options they told Lloyds they didn't have.

I think, in the circumstances, compensation of £150 is fair and reasonable for the upset caused by any delays, and by mistakes in Lloyds' response to Mr and Mrs T's complaint. I don't think it's fair and reasonable to require Lloyds to extend the term of Mr and Mrs T's mortgage, apply an interest rate product or pay further compensation.

As I said, I don't have to reply to all of Mr T's points. But, for completeness, I'll address Mr T's three complaint points as he describes them:

1. The Complaint Manager's decision that a simple apology and no tangible redress for the potential financial detriment caused by the delay for which the Bank has admitted responsibility is unacceptable.

   Lloyds has agreed to pay £150 for the upset caused. As I said above, I don't think Lloyds made an error that caused financial loss.

2. The fact that the Bank's 'poor practice' (as defined by the Financial Conduct Authority) in not contacting us in advance of the end of the term with details of options and products, including Product Transfer is unacceptable.

   As I said above, Lloyds wrote to Mr and Mrs T reminding them about the term expiry. It didn't have to offer new products or set out details of possible options.

3. The Complaint Manager's recognition of our need to seek advice about other options but failure to go on to agree (or to recommend that the End of Term team agree) to our request for sufficient time to do so is unacceptable.

Lloyds put holds on recovery action throughout 2022 and into 2023 to allow Mr and Mrs T time to seek advice, which I think was fair.

My final decision

My decision is that I uphold this complaint and order Lloyds Bank PLC to pay £150 to Mr and Mrs T.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 17 November 2023.

Ruth Stevenson
Ombudsman