

The complaint

Mr C, a sole trader, complains that Lloyds Bank Plc's delays in arranging a new fixed rate means he is now paying more interest on a loan than he should be.

What happened

Mr C told us:

- In June 2022, he had an existing loan with Lloyds which he had originally taken out in joint names with his late wife Mrs C. He told Lloyds about his wife's death in 2019, but it did not make any changes to their joint loan.
- The fixed period on the loan was due to expire on 24 August 2022. He tried to contact Lloyds to find out his options, but it initially refused to discuss the matter in any detail. It did provide an indicative quote of 6.30% on 5 July 2022, but it did not issue a formal offer at that rate.
- As time went on, and interest rates continued to go up, Lloyds was reluctant to make a formal offer even though his solicitor had everything in order.
- His new fixed rate didn't start until 5 October 2022. He eventually had to agree an interest rate of 8.39%, when it could have been around 6% if Lloyds had acted more quickly. He also had to pay £100,000 of his own resources to reduce the balance of the loan and make it affordable.
- To resolve his complaint, he would like Lloyds to either reduce the interest rate due on his loan or make a payment to compensate for his unnecessary loss.

Lloyds told us that it was mutually agreed between Mr C and his Lloyds relationship manager that they would discuss the matter again at the end of July 2022, after Mr C returned from holiday. At that point, the relationship manager realised the loan was still in Mr and Mrs C's joint names, and sought advice from another department within Lloyds. He discovered that the bank was not willing to arrange a new fixed rate loan for Mr C in his sole name until Mrs C was removed from the deeds of the property the loan was secured on. That meant legal work, which caused some delay.

My provisional decisions

I issued my first provisional decision on this complaint in February 2023. Briefly, I said:

- The underlying problem here is the actions Lloyds took – or failed to take – in 2019. If everything had happened as it should have done in 2019, then by June 2022 Mr C's loan would have been in his sole name (and not in the joint names of Mr C and his late wife).
- In that case, there would have been no need for any legal work in 2022 (because that work would already have been done in 2019). That means that there would have

been no opportunity for miscommunication between the bank and Mr C's solicitor to have caused delays between August 2022 and October 2022; there would have been no need for any communication at all with Mr C's solicitor over that period.

- I was satisfied that Mr C was very keen to fix the rate on his loan after a five-year period. I thought that if Lloyds had done what it should have done in 2019, Mr C's new fixed rate would have started on 24 August 2022.
- I thought the fairest way to resolve the complaint would be to put Mr C in the position he would have been in now if he had taken a five-year fix from 24 August 2022. But I didn't specify how that compensation should be calculated, because I wanted further information from the parties as to the interest rate that would have been available and as to whether Mr C would still have made a lump sum payment of £100,000 towards his loan.

Both parties provided me with further evidence in response to my first provisional decision, and I went on to issue a second provisional decision giving more details as to my proposed redress. I said that I thought:

- If everything had happened as it should, Mr C would have locked in a fixed rate on 5 July 2022.
- Mr C would still have decided to reduce the balance of his loan by £100,000.
- Ideally, Lloyds should restructure Mr C's loan with the aim of putting him in the position he would have been in if his loan had been fixed at 6.3% for five years from 24 August 2022. However, given that Lloyds says that it is not possible, I think a fair outcome would be for Lloyds to restructure the loan to put him in the position he would have been in if his loan had been fixed at 6.3% for five years from 5 October 2022.
- Lloyds should also pay £300 to Mr C to compensate him for the distress and inconvenience he suffered.

Lloyds did not have any further comments in response to my second provisional decision.

Mr C said that in principle he was prepared to accept my provisional findings, but he did have some concerns – primarily in relation to whether Lloyds would calculate the compensation correctly, and whether it would pay within a reasonable time period.

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 have come to the same conclusions as I did in my provisional decisions, for the same reasons. I now confirm my provisional conclusions as final.

Putting things right

Lloyds should:

- Restructure Mr C's loan from 5 October 2022 up until 4 October 2027, changing the fixed rate to 6.3% but keeping the term and initial loan balance the same. (This will

have the result of lowering Mr C's monthly payments and will also slightly reduce the capital balance of his loan.)

- Refund any overpaid interest to Mr C.
- Pay Mr C £300 to compensate him for the distress and inconvenience he suffered.

If Lloyds does not pay the above amounts within 28 days of receiving Mr C's acceptance of this final decision, it must also pay interest on those amounts at a rate of 8% per year simple, calculated from the date of this final decision until the date of settlement.

Lloyds should also provide Mr C with details of its calculations in a clear, simple format, to enable him to understand how it has reached the figures it has.

My final decision

My final decision is that I uphold this complaint. I order Lloyds Bank Plc to pay compensation to Mr C as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 May 2024.

Laura Colman
Ombudsman