

## **The complaint**

Mr and Mrs O complain that Lloyds Bank PLC has treated them unfairly when declining to consider a request to extend their mortgage after this had previously been agreed.

## **What happened**

Mr and Mrs O have an interest only mortgage with Lloyds which was taken out in 2003. The term of this mortgage ended in April 2022 and at this point, the outstanding capital balance of the mortgage became payable.

Mr and Mrs O spoke to Lloyds at different points about the mortgaged property and their plans to repay the mortgage after the term had ended.

In February 2023 Mr and Mrs O spoke with Lloyds about potential options for the property. An income and expenditure had been started in December 2022 but hadn't been completed as Mr and Mrs O needed to provide tax calculations. It wasn't clear what the next steps were at this point and Mr and Mrs O were told they'd need to speak with Lloyds no later than 1 March 2023 with an update on what they planned to do.

On 3 March, Lloyds reviewed the mortgage account as it had not heard back from Mr and Mrs O with confirmation of their future plans. The end of term team decided to instruct solicitors on 9 March 2023 due to the time that had passed since the mortgage term had expired and the lack of clarity on the next steps with repaying this.

On 21 March 2023, Mr and Mrs O spoke with Lloyds about their future plans as they'd received notification of the legal action Lloyds had decided to take. They said they planned to convert the property into a number of new flats, but the planning application had been declined and they wanted to appeal this if possible. The appeal process could take up to seven months and it would cost Mr and Mrs O more money to pursue this option and they wanted an extension to the mortgage term agreed to allow them to do this.

Lloyds said it had authorised this for 6/7 months but that it required evidence of the appeal and the timescale as well as details of how the funds would be raised. In the absence of this information being provided, it couldn't agree to hold the legal action.

On 23 March Mr and Mrs O spoke to Lloyds again, anxious to know whether the hold had been agreed. They were advised to send in the information about the appeal as soon as they had this to allow Lloyds to consider whether it was able to put a stay on its legal proceedings. It explained it needed proof sent in from the architect or information from the council to show the planning application was appealed. No hold would be applied until this information had been emailed over and Mr and Mrs O were advised to follow up with a call once this was sent. There was no mention of the requirement to provide proof of the funding.

Lloyds' solicitor continued with its actions and in early May 2023, Mr and Mrs O were given notice of a court hearing booked in relation to their property. A complaint was raised at this point as Mr and Mrs O believed they had agreed a hold on any action for 6/7 months when this was discussed in March and they felt Lloyds was acting unfairly when now scheduling a

hearing date.

Lloyds upheld Mr and Mrs O's complaint in part. It said it hadn't been as clear as it should have been about what was needed to allow it to consider the hold on the court action. As a result it believed it had raised Mr and Mrs O's expectations. It paid £100 in recognition of this.

But Lloyds said it was not willing to agree to the extension of 6/7 months. It said it needed evidence of the financing to repay the mortgage and while it understood getting this confirmed ahead of the planning permission being received was difficult, it wanted this reassurance to be able to provide the extension. It said court action would continue as it believed it had provided relevant forbearance and time for Mr and Mrs O to repay the mortgage and when this hadn't happened, it believed it was acting fairly continuing.

Our investigator looked at this complaint and didn't think Lloyds was acting unfairly by declining the further extension. She felt it had given a number of previous extensions and while it could have been clearer on what was required when the extension for the planning appeal had been discussed, she didn't think Lloyds needed to hold its legal action when it wasn't satisfied with the information provided.

Mr and Mrs O disagreed with our investigator. They said they had been in regular communication with Lloyds about their mortgage since the term had ended without any gaps. They felt some of the facts the investigator had mentioned were incorrect and they highlighted that they paid £4000 for their planning appeal as a result of the promise made by Lloyds in providing the temporary extension. They felt Lloyds had forgot to put a stop on the legal action and maintained this should have happened.

Our investigator's opinion remained unchanged and Mr and Mrs O asked that the complaint be reviewed by an ombudsman.

### **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've reached the same outcome as our investigator, for broadly the same reasons. I appreciate this will be disappointing for Mr and Mrs O, but I'll explain why I don't think Lloyds needs to do anything else now.

For clarity, it is important to note that the complaint I am considering is centred around what happened up until June 2023 when the complaint was brought to us. Mr and Mrs O have continued to speak with Lloyds about the mortgage while the complaint has been with us, but if they are unhappy about any subsequent actions of Lloyds, these will need to be considered as new complaints.

Mr and Mrs O's property is one that they hold as part of a portfolio and although at one point it was their main residence, there has been occasions where it was let with consent to let granted. When the mortgage term ended in April 2022, the balance became payable and I've considered whether Lloyds has acted fairly when working with Mr and Mrs O about this and their options.

There was regular communication between Mr and Mrs O and Lloyds from the point the mortgage term expired and I think Lloyds provided time for the mortgage to be repaid or other options to be explored.

The crux of this complaint is whether, in March 2023, did Lloyds make a false promise to grant an extension and did Mr and Mrs O rely on this when deciding to pursue an appeal on their planning application for the property.

I've listened to the calls in question and while it is clear that Lloyds did say an extension had been granted, I don't think it guaranteed this would happen. It set out there would be no hold on any legal action until it had received confirmation on the appeal process and it needed Mr and Mrs O to provide it with information about this before it could decide whether to instruct a hold on the court action. So I am not persuaded a promise was made that the court action would be stayed, but that this could happen once more information was provided.

Lloyds did fail to explain the requirement to demonstrate the funding and how the mortgage would be repaid, but I don't think this would have stopped Mr and Mrs O from taking the course of action they did. And I believe an award of £100 for the inconvenience of not providing Mr and Mrs O with all of the relevant information they needed on what was to be provided is fair and reasonable.

Mr and Mrs O have explained a number of times that this property was one of their portfolios and there was a significant difference in the value of the property with the planning permission to convert it when compared to this not being there. As a business, Mr and Mrs O would need to have made a commercial judgement on whether they wanted to continue with the application process or not, weighing the costs and benefits up. With this in mind and the difference in the cost of the property if planning was obtained, I don't think it is likely the sole reason Mr and Mrs O continued with their application was because of the indication that Lloyds would provide a further extension to the mortgage term.

The planning appeal process continued while the complaint was with this Service and Lloyds appears to have placed a hold on its court actions during this period. As I've said previously I am not considering whether Lloyds has been fair when considering what Mr and Mrs O has sent it during this time as this would be a new complaint for it to consider first. But I am satisfied that no promise was made to provide an extension of 6/7 months without additional information being supplied. When this wasn't received, I don't think Lloyds acted unfairly in referring this mortgage to its litigation team as there was no clear indication of when the mortgage was going to be repaid.

Overall, I don't think it would be fair and reasonable to ask Lloyds to do anything else now.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O and Mrs O to accept or reject my decision before 21 June 2024.

Thomas Brissenden  
**Ombudsman**