

The complaint

Mr and Mrs G complain that Lloyds Bank PLC failed to provide them with correct advice when applying for a new mortgage and they've lost out as a result.

What happened

Lloyds has accepted it didn't do what it should have when providing Mr and Mrs G with information about their options when they applied to port their mortgage with additional borrowing. It wasn't made clear how the port process worked and Mr and Mrs G were led to believe they'd receive the full balance on the sale of their previous property, without the previous mortgage balance needing to be deducted from this. As a result they thought they had a bigger deposit than they actually had for their new property and it resulted in a significant shortfall on the day of completion.

Lloyds has made an offer to put things right, based on what it thinks it would be fair to do when thinking about the advice provided and the impact this had on Mr and Mrs G.

Lloyds has offered to do the following:

- Pay Mr and Mrs G £2,000 for the distress and inconvenience experienced.
- To cover, on receipt of invoices/receipts the additional costs incurred with the move when it was delayed, estimated to be around £2,000.
- To provide an interest free loan of up to £17,000 for the term of the mortgage to allow Mr and Mrs G to repay existing debts as they'd planned. This would be paid with a monthly payment collected with the mortgage monthly payment.
- An application could be made for the additional £30,000 Mr and Mrs G need to repay their family, who helped bridge the shortfall with their completion. This would be subject to Lloyds' lending criteria and the interest rate would be based on the rate available at the time.

Our investigator looked at this complaint and felt the offer by Lloyds to put things right was fair. She thought Lloyds had recognised the impact of its error with the award made for the distress and inconvenience being in line with what this Service would expect. And it was right that Lloyds covered the direct financial losses experienced on the weekend of moving due to the delay in the completion.

She didn't think it was fair to ask Lloyds to do anything else. She felt the offer to provide borrowing for the debts that Mr and Mrs G had planned to repay with an interest free loan was fair. She also thought the shortfall in the purchase price would have been clear to Mr and Mrs G's solicitor ahead of the completion as the mortgage offer stated the previous mortgage needed to be repaid as one of the special conditions. The solicitor acting for the conveyance should have ensured that Mr and Mrs G had the funds to complete the transaction, taking account of their available equity and new borrowing available. So although Lloyds was not as clear as it could have been, she didn't think it would be fair to

ask it to pay this cost.

Mr and Mrs G disagreed with our investigator. They don't feel Lloyds has done enough to put them back to the position they thought they would have been in based on the information provided during the application. They feel they have a property that they would not have been able to purchase had it been clear their deposit amount was lower.

They now owe their family £38,000 while still having the existing debts of £17,000 to repay. They feel the debt owed to their family would not be there had Lloyds not provided the incorrect information and this is a financial loss they've suffered because of Lloyds' error. And the loan offer from Lloyds is not fair as it ties them to Lloyds as it has increased their mortgage debt.

Overall, Mr and Mrs G feel the resolution put forward only benefits Lloyds and places them at a long-term disadvantage. Because our investigator's opinion remained unchanged, the complaint has been passed to me for decision.

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.

I've decided not to uphold this complaint for much the same reasons as our investigator. I know this will be difficult for Mr and Mrs G, but I'll explain why I think the offer Lloyds has made to put things right is fair.

There is no dispute that Lloyds provided incorrect information to Mr and Mrs G and that they relied on this information when making decisions about the house they wanted to purchase, including the budget they had available. So there is no need for me to consider this here. The crux of this complaint is, has Lloyds done enough with the offer to put things right.

Normally when something has gone wrong, the starting point to put things right is to consider what would have happened but for the error. Mr and Mrs G have explained had they been given the correct information about the porting process they would not have bought the property they did. Based on the borrowing Lloyds has said Mr and Mrs G could obtain, this is true and they could not have borrowed more to bridge the gap in their deposit.

This error was only identified when the completion was taking place and as a result Mr and Mrs G needed to, under great pressure, see if they could raise the funds for the shortfall or risk losing the property, having already sold their own. Fortunately the help of their family meant they were able to complete the move but at the greater expense and debt now owed to their family. So simply speaking, it isn't possible to put Mr and Mrs G back to the position they would have been in had the error not occurred.

Mr and Mrs G have focused on the resolution not putting them back in the position they thought they would be in, had the information provided been correct. But as I've said above, this is not the approach I think would be fair and reasonable to take.

I think there was opportunities for Lloyds to have picked up on Mr and Mrs G misunderstanding the port process based on the information they'd been given. In the telephone calls Mr G had with Lloyds when double checking his understanding, phrases such as 'too good to be true' and 'like winning the lottery' could reasonably have led the advisers to question whether the information provided was as clear as it should have been. But I don't think it is fair to say that Lloyds is the only party to this transaction that failed to highlight there could be an issue.

Mr and Mrs G had a solicitor acting on their behalf for the conveyance and after they'd applied for the mortgage on the belief of their deposit being higher than it was, the mortgage offer was sent to their solicitor. This set out a number of special conditions including, the repayment of the existing mortgage debt. Mr and Mrs G have said they felt it had been expressly agreed previously this didn't need repaying, but it is for the solicitor to confirm the conditions have or will be met when completing the conveyance. And if previously discussed and agreed, I'd expect this to have been checked and confirmed.

The mortgage offer was produced sometime before the completion was due to take place and this should have highlighted the potential shortfall in completion. So I don't think it would be fair to say that there wasn't information provided ahead of the completion that ought to have alerted Mr and Mrs G to a potential issue with their purchase.

When the issue was not identified until so late in the day, it clearly caused a great amount of distress and this is still impacting Mr and Mrs G now. But I feel the award made of £2,000 for the distress and inconvenience is fair and reasonable. It is in line with what I'd expect to see for an error of this level where the impact is lasting as Mr and Mrs G's expectations have changed considerably from where they were before.

It is right that Mr and Mrs G do not lose out financially as a result of Lloyds' error and I think what it has considered here as their financial loss is correct and the offer fair. The additional moving costs all suffered as a result of the delay are costs they wouldn't have otherwise paid, and while I think the solicitor could have highlighted the error sooner, Lloyds has acted fairly in offering to cover these out-of-pocket expenses.

I appreciate the reservations Mr and Mrs G have about the loan facility offered by Lloyds to repay the short-term debt they say they would have repaid had everything gone as they'd expected. But I think this is a fair offer, it crystallises the amount of debt they owe elsewhere and will save them paying the interest on these debts. The repayment term in line with the mortgage term will mean the repayment spread over a longer period, but as no interest is charged, it doesn't cost them anymore and will reduce the monthly outgoing. But if Mr and Mrs G wanted to repay this over a shorter period, I'd expect Lloyds to allow this to happen without penalty.

Mr and Mrs G feel they have a financial loss for the money they needed to borrow from family to cover the shortfall in the purchase price. I accept they have to pay more than they were expecting for the property as their deposit was lower than they believed, but as I've said I think this shortfall could have been highlighted sooner. And it would not be fair to expect Lloyds to cover this shortfall in their deposit. Mr and Mrs G currently have this in the equity of their property and it would not be correct to say this is a financial loss. Lloyds has offered to consider a further borrowing application to see if it can release some of this equity to allow Mr and Mrs G to repay the money they've borrowed and I think this is a fair option.

Mr and Mrs G relied on information which was wrong when making decisions about the property they wanted to purchase. But I don't think it would be fair to say Lloyds is responsible for the issue on the day of completion and the shortfall only being discovered at this point. And overall, I think the offer made by Lloyds to put things right here is fair, recognising the actual financial loss Mr and Mrs G has suffered and giving them an option to see if they can release the additional equity they currently have in their property.

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 Mrs G and Mr G to

accept or reject my decision before 11 December 2023.

Thomas Brissenden
Ombudsman