

## **The complaint**

Mr F complains that Lloyds Bank PLC failed to remove the charge over his property after his mortgage was repaid. He only discovered the charge was still on when trying to take new borrowing some years later.

## **What happened**

Mr F had a mortgage with Lloyds which was repaid in 2002. The title arrangements for his property are relatively complex – it's registered under two separate titles at the Land Registry. I understand this is because a new lease was created in around 1999, resulting in the same mortgage being secured over two leasehold titles.

In 2022 Mr F applied for a lifetime mortgage. In September 2022 a lender I'll call A offered him a mortgage of around £142,000 at an interest rate of 5.99%. Unfortunately that mortgage didn't complete by the date the offer expired, 8 December 2022. So A issued a new offer. But the interest rate had increased in the meantime, to 7.66%. Mr F completed on this mortgage on 24 February 2023.

Mr F says that during the legal work to give effect to his lifetime mortgage it came to light that Lloyds still had a charge over one of the title entries. He says it was this which caused the delay in completing his mortgage and which meant that he lost out on the lower interest rate in the first offer.

When Mr F first complained, Lloyds said it had removed the charge in 2019. But on further investigation it accepted there was a second charge over the other title, and it should have removed that charge too. It said both charges had now been removed. It offered £150 compensation, and it offered to consider compensating Mr F for the difference between the two mortgage offers if he provided evidence to show he'd lost out.

Our investigator said that she didn't think Lloyds' failure to remove the charge was the cause of Mr F losing out on the lower rate. So she didn't think Lloyds needed to compensate him for that. But she said the mistake had clearly caused him distress and said Lloyds should increase the compensation to £250.

Lloyds accepted that, but Mr F didn't. He said his solicitors had told him that the Lloyds charge was the barrier to the lending, and it wasn't fair that he'd lost out because it hadn't removed the charge.

## **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.

There's no dispute at the heart of this complaint. Mr F's borrowing from Lloyds was repaid many years ago. The charges should have been removed from both title entries at that point. But they weren't – one charge was removed in 2019 and the other was only removed after Mr F discovered it and complained in 2023.

Lloyds made a mistake in not removing the charges. All parties are agreed about that. What remains at issue is the consequences of that mistake for Mr F, and what Lloyds needs to do to put matters right.

I think it's clear that the existence of the second Lloyds charge was discovered during the conveyancing process for Mr F's lifetime mortgage, and it was that which led to his complaint and to the charge being removed.

It's also clear that the first mortgage offer didn't complete in time, and therefore Mr F lost out on the first, lower, interest rate and ended up with the second, higher, interest rate.

However, for me to require Lloyds to compensate Mr F, I need to find not just that both those things are true – which they are – but also that the existence of the Lloyds charge was the reason for the failure to complete on the first mortgage offer. If the charge were not there, would the first mortgage offer have gone through? Or would it still not have completed in time, and Mr F would always have ended up on the higher rate even if the charge wasn't there?

To answer that question, I've reviewed the evidence provided by A, which sets out what happened during the conveyancing process.

The first offer was issued in September 2022 and expired on 8 December 2022. A's notes show that the offer pack was sent to Mr F's solicitors on 23 September, and receipt was acknowledged on 26 September. A's solicitors chased Mr F's solicitors for a substantive reply on seven occasions in October and November. On 21 November Mr F's solicitors said they would be meeting Mr F shortly and would forward the documentation after that – eventually sending it on 5 December.

On 6 December A's solicitors noted that the property title had charges in favour of both Lloyds and another lender. The purpose of the lifetime mortgage was to repay the other lender. The solicitors asked for a redemption statement from Lloyds – presumably in the belief that there was an outstanding debt, and to confirm that it would be repaid on or before the date the mortgage with A completed. They also raised various queries about the unusual title structure and the mortgage with the other lender.

On 12 December Mr F's solicitors wrote to Lloyds to request a redemption statement.

On 13 December Mr F's solicitors emailed A's solicitors – I don't have a copy of that email.

On 14 December A's solicitors noted that further checks of the title and how it was structured were required. A's solicitors replied to confirm that the outstanding matters were an undertaking to redeem the other lender's mortgage on completion, and that completion was subject to A issuing a new offer as the existing one had expired. Removal of the Lloyds charge is not included on this list.

There follows various other contact between A's solicitors and Mr F's solicitors, mostly about the other lender's mortgage, until completion is agreed and takes place on 24 February. There is no other mention of the Lloyds charge – either that any action needs to take place in respect of the charge, or that it would be a barrier to completion.

The mortgage with A completed on 24 February 2023. It was secured via charges on both titles – including the one with the outstanding Lloyds charge. The Lloyds charge was still on the title entry at this point; it was not removed until April 2023.

I'm therefore satisfied that the existence of the Lloyds charge was not the reason the first

mortgage offer did not complete in time and Mr F ended up with the higher interest rate. That's because:

- The offer expired on 8 December, but Mr F's solicitors did not respond to A's solicitors until 6 December – which did not leave enough time to complete even if there were no outstanding problems.
- A's solicitors were not concerned about the Lloyds charge after 14 December.
- The mortgage was able to complete and be registered on 24 February – even though the Lloyds charge had not yet been removed.

This shows that it was not the Lloyds charge that meant work continued on the mortgage after 8 December. And it shows that the Lloyds charge was not a barrier to the mortgage completing, since the mortgage with A completed before the charge was removed.

I'm therefore satisfied that the existence of the Lloyds charge was not the reason Mr F's lifetime mortgage did not complete on or before 8 December, and not the reason he ended up with the higher interest rate.

### **Putting things right**

With that in mind, I don't think it would be fair to require Lloyds to compensate Mr F for the difference in interest rates – because Lloyds was not to blame for that. The existence of the charge was not the reason he didn't get the first mortgage. However, I do think discovering the continued existence of the charge and having to get it removed at an already stressful time caused Mr F further upset. Lloyds has agreed to pay £250 compensation and I think that's fair.

### **My final decision**

I uphold this complaint in part and direct Lloyds Bank PLC to pay Mr F £250 compensation.

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

Simon Pugh  
**Ombudsman**