

The complaint

Ms W complains about her mortgage with Lloyds Bank plc. She says Lloyds advised her to have the mortgage on an interest-only basis without explaining the consequences of doing so. She's also unhappy that she couldn't get through to anyone at Lloyds over the years in order to change the mortgage to a repayment basis – and she can't now afford to switch to repayment.

What happened

In late 2007 Ms W needed to relocate for a job move. She says she tried to sell her property, which was mortgaged to Lloyds, but struggled to do so. She was finding it difficult to manage financially and says that in 2008 Lloyds suggested she change her mortgage from a repayment to an interest-only basis in order to reduce her outgoings. Ms W went ahead.

In late 2008 Ms W bought a property closer to her place of employment. She re-mortgaged with Lloyds, and borrowed just over £110,000 over a term of 25 years, on an interest-only basis.

Ms W says that the mortgage was only meant to be interest-only temporarily, and she tried multiple times after 2008 to change it back to a repayment basis. She says she visited a branch to make the change but staff couldn't help her, and she was unable to get through to Lloyds either by phone or using webforms.

Ms W also says that her personal circumstances have been very difficult since 2009, when she suffered close family bereavements. She has also since experienced mental illness, redundancy and financial difficulties, and says she often hasn't been well enough to deal with her mortgage. In recent years she says her situation has meant that she wouldn't have been able to make the higher monthly payments on a repayment mortgage, so she hasn't tried to contact Lloyds again to ask for the payment basis to be changed since 2018.

In August 2023, Ms W says Lloyds called her for the first time about her mortgage being on an interest-only basis. She made a complaint.

Lloyds said Ms W had left it too late to complain, because more than six years had passed since she took out her current interest-only mortgage in 2008. It also said it could find nothing to indicate that the mortgage was mis-sold.

Our Investigator also concluded that Ms W had complained too late about the mortgage having been agreed on an interest-only basis because it had happened so long ago, and he said that meant the Financial Ombudsman Service can't consider her complaint about this. He said he could look into Ms W's complaint about the difficulties she had in contacting Lloyds more recently, but he didn't find that Lloyds had done anything wrong.

Ms W didn't accept that and asked for a review. She still thought the mortgage should always have been on a repayment basis and said she only now realises she shouldn't have trusted Lloyds. She also said she was only complaining about what happened in 2008 and in

the years leading up to her redundancy in 2018, because since 2018 she wouldn't have been able to afford to switch to a repayment mortgage.

The complaint was referred to me, and I issued a decision setting out the scope of my power to consider this complaint. I found that Ms W has known since 2008 that her mortgage was and continued to be interest-only, and she could have made a complaint sooner. I came to the same conclusion as our Investigator, and I said that I can only consider Ms W's complaint about events in the six years leading up to the complaint – so, since August 2017.

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.

The starting point of Ms W's complaint is the change that was made to her mortgage in 2008, when it was switched from a repayment to an interest-only basis. I can't, however, look into her complaint about that because, as I explained in my earlier decision, Ms W has complained about it too late. I also can't consider the ongoing payment basis of the mortgage and the failed attempts Ms W complains she made to change the mortgage back to repayment in the years that followed, until August 2017.

Ms W has said she no longer wanted to change the mortgage to repayment from early 2018 onwards, following her redundancy, so there is only a limited period when she still wanted to change the mortgage that I can consider. I've looked carefully at the records Lloyds has provided of its contact with Ms W between August 2017 and mid-2018, but I can find no record of Ms W having asked for the payment basis of the mortgage to be changed. I wouldn't expect those records to include calls Ms W says she made but went unanswered, but I think it unlikely that she wouldn't have got through on multiple calls over a number of months. Ms W hasn't provided any of her own records such as copies of correspondence during the relevant period.

There was no requirement for Lloyds to proactively contact Ms W to discuss changing the payment basis of the mortgage specifically. It did write to her inviting her to get in touch to discuss her plans for repayment. That's what I would expect it to have done and was in line with good practice. I also note that the mortgage terms provided for Ms W to make overpayments to the mortgage free of charge if she wished and if she could afford to do so. The option was therefore open to her to reduce the capital balance over time even though the mortgage was interest-only.

In all the circumstances, I can't fairly conclude that Lloyds has done anything wrong in the period I can consider, so I can't uphold this complaint.

I recognise that Ms W is worried about her situation now that there are fewer than ten years left before the mortgage reaches the end of the term, because she has no plan in place to repay the capital balance. Lloyds has told her it will look into what help it can give her with her mortgage, and I encourage Ms W to continue to engage with it and explore her options.

My final decision

My final decision is that I don't uphold this complaint. I make no order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 3 April 2024.

Janet Millington
Ombudsman