

The complaint

Mr S's complaint is about a mortgage he used to have with Lloyds Bank PLC. The property was repossessed and sold by Lloyds in 2019. Mr S is unhappy about the following matters:

- a shortfall debt was showing on his credit file in relation to the repossession;
- the property sold for a surplus, so there should be no outstanding debt;
- he is unhappy that debt collectors are pursuing him to discuss payment proposals;
- no-one at the bank was assisting him.

To settle the complaint Mr S wants Lloyds to write off the shortfall debt and cleanse his credit file.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr S being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

In 2005 Mr S took out a residential mortgage with Lloyds. The bank's records show that in 2007 he began letting the property to tenants. In 2015, payments to the mortgage account ceased and Lloyds was unable to contact Mr S.

Due to the arrears on the mortgage Lloyds began legal action and took possession of the property in January 2019. Lloyds put the property on the market, as it was entitled to do under the terms and conditions of the mortgage. The property was sold in April 2019 for £292,500.

In 2023 Mr S discovered the mortgage account was still showing as 'open' on his credit file with arrears of over £20,000. He queried this with Lloyds. He was told by some staff that the mortgage account had a £0.00 balance and that the shortfall debt had been written off. This, however, wasn't strictly correct; whilst the shortfall had been written off internally, the shortfall debt remained, and was still owed by Mr S.

Mr S complained to Lloyds, asking it to remove the entry from his credit file, as it was affecting his ability to obtain credit. Mr S was also unhappy that a third party debt collection agency (DCA) had been instructed by Lloyds to collect the debt. Mr S was also unhappy at Lloyds' complaint-handling procedure, that the bank wouldn't offer him a face-to-face meeting to discuss his complaint, and that senior managers wouldn't call him back.

In its final response letter dated 21 December 2023, Lloyds explained that there was a shortfall of just over £20,000. To arrange payment, Mr S would need to speak to the DCA. Mr S was sent the final account statement.

The final statement showed that, due to arrears and fees, there was a shortfall of just over £20,000 left after from the proceeds of sale. The closing account statement referred to “poss write off” of £20,162.41, and the account balance at £0.00. As a result, Mr S continued to believe the outstanding balance had been written off and there was nothing more for him to pay.

Mr S responded and Lloyds issued a further response dated 21 February 2024. The bank noted that Mr S was unhappy about the following matters:

- Lloyds cancelled a meeting fixed for 15 February 2024;
- he wanted the meeting to discuss the mortgage issue and how to improve his credit score;
- after he took out a £2,500 loan, his credit score went down;
- a letter of complaint he took into the branch wasn’t dealt with;
- he wasn’t happy about the way Lloyds’ complaint-handler had handled his complaint.

Lloyds explained that the meeting on 15 February 2024 was cancelled because, in preparation the day before the meeting the adviser had checked the purpose of the meeting, which was for Mr S to apply for a further borrowing from Lloyds. As the bank couldn’t offer this to Mr S, the meeting was cancelled, to avoid wasting his time.

Lloyds reiterated that Mr S would need to discuss the outstanding mortgage shortfall debt with the DCA. Lloyds also said that branch staff couldn’t give advice about Mr S’s credit score.

In relation to the £2,500 loan, Lloyds confirmed that Mr S had been told at the time he applied for it, when he was shown a short video, that a footprint would be left on his credit file, and that this might be why his credit score had been affected.

Lloyds also said that, when Mr S took a letter into the branch about his complaint, it was noted that he’d already logged a complaint and so the member of staff didn’t consider it necessary to open a new complaint.

Finally, Lloyds noted Mr S’s dissatisfaction with the complaint-handler, and said it would log a new complaint about this. Lloyds issued a further response on this on 22 February 2024, stating that it had dealt with the complaint properly, addressing all the complaint points in a timely manner. Lloyds said its Complaints Team had been professional and courteous when speaking to Mr S.

Mr S brought his complaint to our service where an Investigator looked at what had happened. Having done so, he was satisfied there was an outstanding debt owed to Lloyds, and went through all the figures to confirm this to Mr S.

The Investigator didn’t think Lloyds had acted unreasonably in cancelling the meeting in February 2024, as it had been identified before the meeting that Lloyds wouldn’t be able to offer Mr S any new products.

The investigator also explained that Mr S’s complaint about Lloyds’ complaint-handlers didn’t fall within the scope of our rules.

Mr S didn't agree with the Investigator's findings and asked for an Ombudsman to review the complaint. Mr S believed Lloyds' Complaints Team had edited documents before sending them to our service and that this influenced the Investigator's view on the complaint.

Mr S said Lloyds had already told him that the account balance had been written off. Mr S also raised other issues about internet banking and paying a lump sum from his pension into the bank.

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'm afraid I have disappointing news for Mr S; I'm not upholding his complaint.

I will begin by explaining that I've noted all the points Mr S has made. I can only consider the matters Mr S raised with Lloyds in his initial complaint. Therefore, although I've noted the additional points Mr S has made about internet banking and about what happened when he paid a lump sum from his pension into his account, those matters don't form part of this current complaint. I am considering only the issues listed in the complaint summary.

I'm satisfied that the documentation provided by Lloyds has not been edited or falsified. It is contemporaneous documentation from Lloyds' records.

Mortgage shortfall: I've reviewed the documentation from Lloyds, including the closing statement. It is this statement, along with information Mr S was given by staff he spoke to at the bank, which has led him to believe that the mortgage shortfall balance of just over £20,000 had been written off.

I'm satisfied that the reference to 'write off' in the statement does not mean that the bank has agreed to cancel Mr S's responsibility for repaying this debt to the bank. What it actually means is that it is an internal adjustment to the account, where the balance was transferred off the mortgage account to the bank's Recoveries Department. It is shown as a 'write off' on the bank's records in order that the account can be closed.

Therefore when Mr S queried this with bank staff, they would see that the mortgage had a balance of £0.00 and that the shortfall was showing as "write off" on the system. I can understand why Mr S was confused by what he was told about this, but I'm satisfied it was for the bank's own internal accounting purposes only. The staff Mr S spoke to would not have had access to the bank's Recoveries information, and so wouldn't have been aware that there was a shortfall debt still to be paid.

In the circumstances, I'm satisfied that the shortfall debt is properly due and owing to Lloyds. There is no basis on which it would be fair or reasonable to write it off.

Debt collection: Lloyds is entitled to instruct a DCA to collect the shortfall debt. I'm satisfied, therefore, that the bank has done nothing wrong in relation to this.

Meeting in February 2024: Lloyds explained that the meeting was cancelled because it had come to light the day before that the bank wouldn't be able to offer Mr S any products. I think this was reasonable in all the circumstances, as it avoided wasting Mr S's time.

Complaint-handling: Under our rules we can consider complaints about regulated activities in relation to the provision of a financial service (such as lending money, payment services,

handling investments), or matters ancillary to a regulated activity (such as account administration or advice given in connection with a regulated activity).

However, complaint-handling isn't a regulated activity in its own right, nor is it ancillary to a regulated activity. I've looked at what Mr S has said about how he feels his complaint was handled. I'm satisfied that his complaints that Lloyds wouldn't offer him a face-to-face meeting to discuss his complaint, his dissatisfaction about a specific case handler, and his complaints about the way he'd been dealt with are not ancillary to the provision of a financial service. I therefore have no power to consider Mr S's complaint about how his complaint was dealt with.

Conclusion

I know this isn't the outcome Mr S was hoping for. I can see how strongly he feels about this matter. However, I'm satisfied that Lloyds' internal 'write off' to close the mortgage account doesn't mean that the debt has been written off; instead it is now with the DCA, with whom Mr S will need to liaise.

If Mr S is experiencing financial hardship, he may find it helpful to get some advice from one of the free debt advisory services such as Citizens Advice, StepChange or Shelter. We can provide contact details for those agencies on request.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 October 2024.

Jan O'Leary
Ombudsman