

The complaint

This final decision follows a decision I issued on 23 September 2024 in which I explained that the complaint below is the only matter I will be considering.

Mr and Mrs K's complaint is that Lloyds Bank PLC led them to believe their application for a mortgage in September 2023 would be successful. However, Lloyds ultimately declined to offer them a mortgage.

Mr and Mrs K believe Lloyds has treated them unfairly and that the bank should have offered them the mortgage they needed.

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 and Mrs K 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 September 2023 Lloyds considered a mortgage application from Mr and Mrs K. They wanted to raise money to repay a business loan. They'd applied to other high street lenders, but hadn't been able to secure a mortgage offer.

They therefore approached Lloyds, with whom they had a business loan. There were several discussions between Mr and Mrs K and a mortgage advisor. However, the application for a new residential mortgage was declined by Lloyds.

Mr and Mrs K complained, saying that Lloyds hadn't treated them fairly. In its final response, Lloyds said that it could have managed Mr and Mrs M's expectations better in relation to whether or not the mortgage application would succeed. Lloyds apologised and sent them a gift.

Dissatisfied with this, Mr and Mrs K complained to our service.

An Investigator looked at what had happened, but was satisfied that Lloyds hadn't guaranteed that the application would succeed, and that the bank had been entitled to decline it. The Investigator noted that Mr and Mrs K had made arrangements to re-finance the loan, and I note that this has now completed, with their debt to Lloyds having been repaid.

Mr and Mrs K still wanted to proceed with their complaint, so it falls to me to issue a 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 understand that Lloyds issued a Decision in Principle (DIP), and a mortgage application was then progressed to be considered by underwriters. A DIP isn't a mortgage offer, it's just an indication of how much Lloyds might be prepared to lend, subject to the application meeting its lending criteria.

Lloyds is entitled to set its own lending criteria. Decisions that Lloyds makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for Lloyds's own commercial judgement that I would not interfere with.

After considering the application, underwriters declined it. The bank found that Mr and Mrs K didn't meet affordability or interest-only criteria, and there were issues with the security offered for the purposes of a residential mortgage, due to changes to the title deeds and concerns in relation to access to the property.

I'm satisfied that Lloyds reached its lending decision fairly, after taking into account all relevant factors, including) affordability, security, exposure to risk, and Mr and Mrs K's specific circumstances. Given this, I'm satisfied that Lloyds gave fair consideration to this application and so legitimately exercised its commercial judgement when deciding that it would not offer Mr and Mrs K a mortgage. This means that there is no basis upon which I can find that Lloyds has treated Mr and Mrs K unfairly or unreasonably.

I can understand why Mr and Mrs K thought, from the discussions they'd been having with Lloyds, that the application would be successful. But having read the call transcripts, it's clear to me that Mr and Mrs K were made aware that any decision on whether or not to lend would be made by the underwriters.

Lloyds sent Mr and Mrs K a gift to compensate them for the disappointment they felt in their application being turned down. Because I'm satisfied Lloyds did nothing wrong in declining it, I'm not going to order Lloyds to do anything more.

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 and Mrs K to accept or reject my decision before 22 October 2024.

Jan O'Leary
Ombudsman