

The complaint

Ms C's complaint arises out of a mortgage taken out in 2003. The mortgage was originally with Cheltenham & Gloucester, which is now part of Lloyds Bank PLC. For clarity, I will refer to Lloyds throughout.

Ms C is unhappy that Lloyds is pressuring her to repay the balance on the mortgage account. To settle the complaint, Ms C wants Lloyds to extend the mortgage term to 2028.

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 Ms C being identified.

The evidence in the case is detailed, running to several hundred pages of documents. I've read everything, and it's apparent that some parts of the evidence are less relevant to the underlying case than others. There are also a lot of duplicated documents and repetition of arguments. In what follows, I have, by necessity, summarised events in rather less detail than has been presented.

No discourtesy's intended by that. It's a reflection of the informal service we provide, and if I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

Ms C took out a mortgage of £152,000 with Lloyds in 2003 on an interest-only basis over a term of 25 years. In 2011 Ms C asked Lloyds to switch the mortgage to capital repayment and to reduce the mortgage term so it would end ten years from then – in January 2021. In 2012 Ms C asked Lloyds to switch the mortgage back to interest-only, but didn't request any other alteration to the mortgage term, which remained on the term agreed in 2011.

In late 2020 Lloyds contacted Ms C about the impending end of the mortgage term. Ms C raised a complaint, as she believed the term ended in 2028. Lloyds issued a final response on 15 December 2020, giving Ms C six months to complain to our service. Ms C didn't contact us at that time, or before expiry of the six-month time limit.

A further complaint was raised in September 2023, both about the term end date and that Ms C felt Lloyds hadn't offered her any support, such as a new interest rate product. Lloyds didn't uphold the complaint so in November 2023 Ms C contacted our service. Lloyds didn't consent to us looking at the complaint about the term end date, saying it was out of time.

An Investigator was satisfied the complaint about the term end date was out of time. He didn't uphold Ms C's complaint that Lloyds was acting unfairly or pressurising her into repaying the mortgage.

Ms C disagreed and asked for an Ombudsman to review the complaint.

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.

On 7 August 2024, I issued a decision explaining that the complaint about the term end date was out of time. This decision relates solely to the merits of the issue I can consider, which is whether the bank has acted fairly since the term expired in January 2021.

This was a residential mortgage, purchased with the intention that Ms C would live in it. However, she hasn't lived in the property for many years, as she now lives abroad. Ms C has no intention of returning to live in the property, which has been rented out – without the consent of Lloyds – for many years, and is currently being offered as a short-term rental via a popular holiday letting website.

There is currently about £160,000 outstanding on the mortgage, and Lloyds is charging interest at its Standard Variable Rate (SVR).

Lloyds' lending criteria does not allow a term extension or a new interest rate product on a residential mortgage where the property is being rented out. That's a decision Lloyds is entitled to make, based on its appetite for risk. It's not unfair for Lloyds to charge SVR on an expired mortgage term, particularly where it is not within the bank's lending criteria to offer a new mortgage to Ms C.

I can see from the contact notes that Ms C had proposed selling another overseas property she owned to repay the mortgage to Lloyds, but was having difficulty doing so. Lloyds put recovery action on hold to enable Ms C to explore this option, but ultimately it didn't come to fruition. However, by September 2023 Ms C had reverted to her previous position, which is that she disputed the term end date and wanted a new interest rate product. Lloyds instructed its solicitors in November 2023. However, Ms C raised her complaint with our service, which has resulted in matters being put on hold.

I'm satisfied Lloyds has shown appropriate forbearance, giving Ms C almost three years from the date the mortgage expired to put her repayment strategy into effect. Lloyds has also signposted Ms C towards independent financial advice.

There are some lenders (but not Lloyds) who offer specialist Holiday Let mortgages, which is what Ms C would need if her intention is to continue to use the property as a holiday let. Generally buy-to-let mortgages don't allow holiday rentals, as they required the property to be rented out on an assured shorthold tenancy. That's why it's important Ms C gets some advice from a financial adviser, so she gets the right mortgage for her needs. Ms C can find details of financial advisers on the Financial Conduct Authority website.

I think it is also important to explain here that lenders will generally agree to put recovery action on hold whilst we look at a complaint, but they don't have to and we can't force them to. If the Financial Ombudsman Service had that power it would undermine our impartiality between the parties to a complaint. It would also create the potential for consumers to use our service to bring complaints with the intention of having any legal action put on hold,

thereby obstructing businesses that were trying to take action through the courts to recover money legitimately owed by the consumers.

I do not wish to alarm Ms C, but I would not want her to be under any misunderstanding that we would tell Lloyds that it must suspend any recovery action in the event of any new complaint being raised about the mortgage. It is a matter for a court to decide whether it is appropriate to adjourn or suspend any legal action, not this service. This is particularly so where, as in this case, Ms C is not in danger of losing her home, given that she doesn't live in the property.

Overall, I'm unable to find Lloyds has acted unfairly. The bank has shown considerable forbearance, but in the absence of confirmed repayment proposals, backed up by evidence (for example, a mortgage offer from a new lender), I'm satisfied Lloyds is entitled to pursue recovery action for the mortgage debt, which is now well over three years overdue.

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 Ms C to accept or reject my decision before 9 September 2024.

Jan O'Leary
Ombudsman