

The complaint

Mr A and Mrs B's complaint is about a mortgage account with Lloyds Bank PLC.

Following my decision issued on 5 November 2024, I will be considering the following issues in this decision.

- Lloyds failed to apply a payment hold in July 2023;
- A payment made on 31 August 2023 wasn't applied to the account until 1 September 2023.
- Mr A and Mrs B had difficulty making payments in July 2023 and November 2023.
- When they asked about a product transfer to reduce their payments, Lloyds didn't help them with this.
- They are unhappy about fees added to their mortgage account.

What happened

I won't 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 all the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr A and Mrs B 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.

Mr A and Mrs B took out their mortgage with Lloyds in July 2007. They borrowed £219,300 on an interest-only basis over a 25-year term. The mortgage was initially on a fixed rate until 31 May 2012, when it reverted to the Standard Variable Rate (SVR). In 2010, due to arrears on the account, a suspended possession order was granted to Lloyds. However, in 2013 the arrears were capitalised and added to the mortgage balance.

For several years, until 2017, Mr A and Mrs B made small overpayments each month. From December 2022 the account fell into arrears. Mr A told Lloyds that Mrs B wasn't working, and with recent rate changes and the cost of living, he was finding it difficult to manage.

Lloyds granted two three-month reduced payment plans, from January 2023-March 2023 inclusive, and another in June 2023. However, payments weren't made in July or August 2023. The monthly repayment increased in September 2023, after the payment plan ended, but the full monthly repayment wasn't made until December 2023. Mr A told Lloyds that family members were assisting with repayments, and he was looking for a solution to his financial difficulties.

In September 2023 Lloyds was considering taking legal action to seek possession of the property, but agreed to put a 30-day hold on the account to enable Mr A and Mrs B to take some advice. However, they didn't come back to Lloyds after the 30 days. Lloyds instructed its solicitors in November 2023 when the arrears were about £6,000. Mr A and Mrs B are unhappy that they now have to try to discuss payment arrangements for the arrears with the solicitors.

In 2023 Mr A and Mrs B had discussions with Lloyds about a product transfer, but didn't proceed with it. In 2024 Mr A and Mrs B completed two applications for product transfers. For the first, they didn't return the signed declaration, and so the transfer wasn't put in place. But for the second, they returned the signed documentation and the transfer was put in place from 1 May 2024. They are now on a fixed rate of 5.49% until 31 June 2026.

Mr A and Mrs B raised a complaint with Lloyds about these matters, and about the legal fees added to the account, as well as other administrative issues. Lloyds didn't uphold the complaint, so Mr A and Mrs B brought it to the Financial Ombudsman Service.

An Investigator looked at what happened. He explained we couldn't look at some of the issues Mr A and Mrs B had raised, as they were both out of time and had already been considered by our service. In relation to the matters we could look at, he thought Lloyds had acted reasonably in all the circumstances, given the arrears and payment history on the account.

Mr A and Mrs B disagreed with the Investigator's findings 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.

I am required to review jurisdiction at every stage of a complaint. I've looked at my jurisdiction decision dated 5 November 2024. Having done so, I remain of the view that I can't consider Mr A and Mrs B's complaints about the merger of two properties onto the mortgage in 2007, or about capitalisation of the arrears in 2013. That's because an Ombudsman has already issued a decision on those matters. No further comment will be made on those issues.

Lloyds failed to apply a payment hold in July 2023: There is nothing in the bank's records to show that Mr A and Mrs B asked Lloyds to apply a payment hold in July 2023. They were already in a payment arrangement, which they had broken by not making payments for July and August 2023. I don't uphold this part of the complaint.

A payment made on 31 August 2023 wasn't applied to the account until 1 September 2023: Mr A and Mrs B weren't making their mortgage payments by direct debit, as per the account terms and conditions. They were making them manually. I can see that a payment was due on 31 August 2023 of about £1,300. However, a payment of £800 was credited to the account on 1 September 2023. I can't hold Lloyds responsible for the delay in the payment being credited.

A card payment has to be processed and allocated to the account, and so there is no guarantee it will be credited to the account on the day it is made. Making a payment on the last day of the month carries the risk that it will not be applied in that month. Overall, I'm not persuaded Mr A and Mrs B have suffered any detriment as a result of this, as they were already in breach of their payment arrangement and were in substantial arrears, so any impact on their credit files of this late payment is likely to have been minimal. I don't uphold this part of the complaint.

Mr A and Mrs B had difficulty making payments in July 2023 and November 2023: I can see that Mr A and Mrs B have had problems maintaining their mortgage payments for a while. Because they were on SVR, interest rate increases were affecting their ability to maintain the mortgage. On 3 July 2023 Lloyds had agreed a payment plan where Mr A and Mrs B were to pay £642 on 31 July 2023, then two further payments of this amount from 31 August 2023. The July 2023 payment wasn't made, and Mr A and Mrs B didn't contact Lloyds to discuss the situation. The next contact from them after 3 July 2023 was on 13 September 2023. There is nothing in Lloyds' notes to show Mr A and Mrs B told Lloyds about any financial difficulties that were preventing them from making the agreed payments under the plan. Nor is there anything to suggest Mr A tried to make a payment but it didn't go through in July 2023.

On 3 November 2023 Mr A telephoned Lloyds to discuss the account but didn't mention he wouldn't be able to make a payment. Mr A also spoke to Lloyds on 28 November 2023 when he called to make a payment but the call dropped before this could be actioned. Mr A called back but wasn't able to make the payment because his card wasn't recognised on the system, despite several attempts being made. Mr A was provided paying-in details to enable him to make an online payment. Two payments were made, one on 29 November 2023 for £900 and another the following day for £300.

I don't uphold this part of the complaint.

When Mr A and Mrs B asked about a product transfer Lloyds didn't help them: I can see that there were several product transfers discussed with Lloyds. However, the signed paperwork to enable a new interest rate to be put in place wasn't returned to Lloyds, and so a new product couldn't be implemented. This didn't happen until May 2024. Overall, I'm not persuaded Lloyds failed to help Mr A and Mrs B with this. I don't uphold this part of the complaint.

Mr A and Mrs B are unhappy about legal fees added to their mortgage account: Given the lack of engagement from Mr A and Mrs B after July 2023, and the fact that they didn't contact Lloyds even after they were sent letters informing them that legal action was likely, I think it was reasonable for Lloyds to instruct its solicitors in November 2023. I've reviewed the fees Lloyds has added to the account for this, which appear to me to be reasonable.

I appreciate Mr A and Mrs B think Lloyds didn't treat them fairly in this regard, but I think Lloyds had exhausted the forbearance options that were appropriate for Mr A and Mrs B, and the arrears were continuing to increase. Overall, I think Lloyds was left with little option but to instruct solicitors. I therefore don't uphold this part of the complaint.

Other matters: Lloyds has confirmed that, since the product transfer, things appear to be on track and Mr A and Mrs B are maintaining their repayments. Legal action is currently on hold. As Lloyds knows, possession action is a last resort, and Lloyds will also be aware of changes to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) that came into effect on 4 November 2024. In particular, MCOB 13.3 gives lenders more options to help borrowers who are struggling with their mortgages. What this means is that if

Mr A and Mrs B experience future difficulties, there may be more Lloyds can do to help them keep up with their mortgage payments.

I will also remind Mr A and Mrs B that this is an interest-only mortgage, which is due to expire in 2032, when the full outstanding capital balance will need to be repaid. Mr A and Mrs B should be thinking now about what their repayment strategy is going to be. They might find it helpful to speak to an independent financial adviser about this sooner rather than later, so they can put their repayment plans in place well before the end of the mortgage term.

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 A and Mrs B to accept or reject my decision before 6 December 2024.

Jan O'Leary
Ombudsman