

The complaint

Mr and Mrs H complain about the way Lloyds Bank PLC dealt with them regarding their interest only mortgage. A family member, who I'll refer to as Ms C, has represented them in bringing this complaint.

What happened

Mr and Mrs H have had an interest only mortgage with Lloyds since 2003. They took out further borrowing in 2004 and 2005. The term is due to expire in March 2025. Mr and Mrs H say they have no means to repay the balance (about £75,000).

We've told Mr and Mrs H that we can't look into all of their complaints, including their complaint about the sale of the mortgage. That's because these complaints were brought to us outside our time limits. The complaints I'm considering here are:

- Lloyds said it wouldn't evict them on the phone but didn't put this in writing. It sends letters saying they might get evicted.
- Lloyds closed their local bank branch without discussing this with them.
- Lloyds hasn't helped them create a repayment plan.
- Mr and Mrs H have difficulty using online banking and this puts them at a disadvantage.
- Lloyds made other errors: it didn't conduct a yearly check on their account as it said it would in 2019; it put an overpayment into the wrong subaccount; it sent a letter suggesting it had changed the outcome of their complaint and then went on to say it hadn't.

Our investigator upheld the last complaint point. He said Lloyds had failed to conduct a yearly check as promised, had initially applied an overpayment to the wrong sub account and its follow up letter had been poorly worded. He said Lloyds should pay £100 for the upset caused by its poor service. Lloyds agreed.

Ms C explained why Mr and Mrs H didn't agree. She said while Lloyds had now agreed to extend the term of Mr and Mrs H's mortgage she was not impressed with the situation they'd been put in. She said Lloyds' end of term team wouldn't deal with them until near to the mortgage expiry despite it sending letters asking them to get in contact. Ms C clarified some of the complaint points.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Lloyds said on the phone it wouldn't evict Mr and Mrs H if they maintain payments after the mortgage term ends, but didn't put this in writing. It sends letters saying they might get

evicted.

Ms C provided an extract from a call recording. The call handler says provided they maintain payments after the term ends they won't be evicted. She says this will be noted on the file. Lloyds says it can't find any record of this call. There's nothing attached to the extract to evidence that this is from a call with Lloyds relating to Mr and Mrs H's mortgage account (although I see no reason not to accept that it is). This is a short extract without the full context of the discussion.

I'm sorry if Mr and Mrs H were led to believe in this call that Lloyds would allow them to make monthly interest payments indefinitely, in effect that it wouldn't expect them to repay the balance when the term expires. The member of staff might have made an error or this could have been a misunderstanding – it's difficult to reach a firm conclusion based on the short extract provided to us. But Lloyds wrote to Mr and Mrs H on many occasions to say that they need to repay the balance when the term expires, and it's their responsibility to find the lump sum to do this.

I think Lloyds made Mr and Mrs H aware that they need to repay the balance when the term expires and the possible consequences – including legal action – if they don't.

Lloyds' final response letter said it wouldn't just evict Mr and Mrs H when the term ends. It said it would hope to reach an arrangement about repaying the balance, or suggest Mr and Mrs H seek independent advice. Lloyds said if the balance isn't repaid, as a last resort it could take legal action. Lloyds sends letters to Mr and Mrs H which say that their home could be repossessed if they don't maintain payments. This is, as Ms C says, standard wording.

When Mr and Mrs H borrowed the money they agreed to repay it. It's reasonable, as a starting point, for Lloyds to expect them to do so when the term expires. From what Ms C has said, it seems Lloyds has extended the term. But if this isn't the case and Mr and Mrs H are unable to repay the balance (or if they can't repay the balance at the end of the term extension), I'd expect Lloyds to treat them fairly and explore what options might be available to them. But I can't fairly find that it's wrong or unfair for Lloyds to include standard warnings in its letters that, ultimately, it can take legal action to recover the debt.

Lloyds closed Mr and Mrs H's local bank branch.

Ms C says the point here is that Lloyds said it had contacted all vulnerable customers regarding the branch closure – but this is a lie as it didn't contact Mr and Mrs H. Ms C said Mr and Mrs H contacted Lloyds about the closure and didn't hear back. She says Lloyds didn't tell them about the "digital helpline" and there were difficulties in Lloyds issuing Mr and Mrs H with a paying in book. Ms C didn't say how this had caused loss to Mr and Mrs H.

This service isn't a regulator, and we don't have the powers of a regulator. I can't interfere with Lloyds' commercial decision to close a branch. The fact that Lloyds didn't contact Mr and Mrs H about the closure doesn't change this.

Lloyds responded to Mr and Mrs H's complaint about the closure of the branch. It set out other ways for them to do banking. I appreciate the closure of the branch was disappointing, and having to change the way Mr and Mrs H do their banking was inconvenient. But I don't think there's anything more that I can fairly require Lloyds to do.

Lloyds hasn't helped to create a repayment plan.

When Mr and Mrs H contacted Lloyds in 2019 it told them they could only contact its end of term team when they had less than two years of the term left. This is Lloyds usual process.

Lloyds said in the meantime, Mr and Mrs H could speak to one of its mortgage advisers or seek independent financial advice.

Lloyds letters made it clear that it is Mr and Mrs H's responsibility to have a plan in place to repay the mortgage balance.

There was nothing to stop Mr and Mrs H making overpayments, speaking with a mortgage adviser at Lloyds or contacting an independent financial adviser to help them explore what options might be available to them. In late October 2023, Lloyds confirmed that they can contact its end of term team.

Mr and Mrs H have difficulty using online banking.

Ms C says, like many people of their generation, Mr and Mrs H have difficulty using online banking. She says they miss out on things that can only be accessed online. For instance, they can't use the online repayment calculator and this hasn't been offered over the phone. She says they might be more at risk of being scammed or miss out on information that could help them. Ms C hasn't provided evidence that Mr and Mrs H have been disadvantaged.

Lloyds said Mr and Mrs H can call if they need help or information about their account. If for instance they want to know how much they can pay without incurring an early repayment charge they ask Lloyds over the phone. Lloyds says Mr and Mrs H can appoint someone to assist them with their mortgage account.

It's not clear what Ms C expects here. I can't fairly require Lloyds to stop offering online banking to customers that do use it. And Lloyds has said that there are other ways for Mr and Mrs H to access its services. I don't think I can fairly require Lloyds to do more.

Lloyds didn't conduct a yearly check on Mr and Mrs H's account as agreed in 2019.

In 2023 Lloyds wrote to Mr and Mrs H referring to a letter sent in 2019 about bringing in a yearly check with the annual mortgage statement, to make sure they were on track to repay the mortgage by the end of the term. Ms C says Lloyds didn't make a yearly check.

Mr and Mrs H say they don't have means to repay the mortgage. This wouldn't have been different if Lloyds had contacted them to check they were on track to repay the mortgage. So I can't see that Mr and Mrs H have been disadvantaged financially. I think it's unlikely that they'd have felt any less worried after a discussion with Lloyds which, inevitably, would have concluded they were not on track to repay the mortgage.

Lloyds put an overpayment into the wrong subaccount.

Ms C says Lloyds applied an overpayment to the wrong sub-account, which it corrected after she contacted it. There's no suggestion that Mr and Mrs H have been financially disadvantaged by this.

Lloyds sent a letter saying it had changed the outcome of Mr and Mrs H's complaint. The letter went on to say it hadn't changed the outcome.

Lloyds sent a letter with a heading saying it had changed the outcome of Mr and Mrs H's complaint. Lloyds said it had made an error regarding a data subject access request. It paid £100. The letter went on to confirm that Lloyds didn't change the outcome of other parts of Mr and Mrs H's complaint. Ms C says the heading raised Mr and Mrs H's hopes.

Putting things right

Ms C says Lloyds has agreed to extend the term. I hope this has given Mr and Mrs H some peace of mind.

Ms C says Mr and Mrs H deserve an apology and the compensation recommended by our investigator isn't enough for the stress caused on numerous occasions and the inconvenience of having to resolve the issues that Lloyds created. I appreciate that Ms C feels strongly about this matter. But, for the reasons above, I don't think that Lloyds has made the number of errors that she claims.

I can't fairly require Lloyds to apologise other than for errors I've found it made, and I don't think there's much to be gained by Lloyds issuing an apology that it's been required to make. When considering the amount of compensation that is fair and reasonable, I need to consider the impact on Mr and Mrs H of the errors that Lloyds did make.

Our investigator said Lloyds should pay £100 for the error with the overpayment and the upset caused to Mr and Mrs H by the wording of its follow up letter and not contacting them to check they were on track to repay the mortgage. I don't think these errors had a significant or lasting impact on Mr and Mrs H. In the circumstances, I think £100 is fair and reasonable.

My final decision

My decision is that Lloyds Bank PLC should pay £100 to Mr and Mrs H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 5 November 2024.

Ruth Stevenson
Ombudsman