

The complaint

Miss W complains that Lloyds Bank PLC misled her about the type of local authority search that would be carried out on the property she was purchasing when she instructed a conveyancer on its panel. She says she was unaware when she bought her property that it doesn't have permitted development rights. Miss W says she's suffered significant financial loss and this has caused her stress and anxiety.

Miss W asks for compensation and that Lloyds is accountable for its practices and future customers are properly informed.

What happened

Miss W applied to Lloyds for a mortgage, which completed in December 2022.

The mortgage product Miss W chose included free purchase conveyancing. Miss W had to pay the costs of searches, bank transfers and the Land Registry fee. Lloyds allows customers to choose a firm of solicitors on its panel. Quotes are provided on behalf of Lloyds by a third-party business which I'll refer to as "U".

Miss W says:

- Lloyds didn't tell her that the conveyancer would rely on a personal local authority search and not carry out an official local authority search, or explain the implications of this. She says Lloyds staff don't understand the difference between the searches. Miss W says she was denied the option of an official local authority search.
- Miss W started work on her property. She found out her property doesn't have permitted development rights when the local council started enforcement action in early 2024. She had to stop work on the property, having spent over £60,000. The property is in an area where development rights have been revoked due to flood risk. Miss W says she wouldn't have gone ahead if she'd known this. She says an official local authority search would have revealed this. Miss W will need planning consent for work to her property.
- Lloyds' failure is a breach of contract. She says it misled her into buying the property unaware of legal restrictions which would have been revealed by an official local authority search. Miss W says her costs are not covered by the indemnity insurance related to the search. Miss W says the property was overvalued by the surveyor instructed by Lloyds and she's facing a financial loss of about £90,000 to £100,000.

Our investigator said while Lloyds provided a quote, it made it clear that it wasn't party to the agreement between Miss W and the conveyancing firm and wasn't responsible for any problems with the conveyancing firm. Our investigator said this was a matter better dealt with by the Legal Ombudsman.

Miss W didn't agree. She said U carried out the searches on behalf of Lloyds. Miss W says Lloyds and U are connected and both benefit from this arrangement by many millions of pounds each year (Miss W says Lloyds benefits because mortgages complete sooner). She

says this undisclosed arrangement is unfair and creates a conflict of interest. Miss W says the conveyancing firm was given no option other than to accept the searches provided by U.

Miss W said the terms of engagement between Lloyds and U should be obtained as it will reveal Lloyds true involvement in what she says is a mortgage conveyancing scam. She says while Lloyds might not be responsible for the actions of the conveyancing firm it is in control of the quotes and searches. Miss W said she couldn't provide evidence at this time that Lloyds controls what searches are carried out.

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.

Lloyds offered Miss W a mortgage – a loan which is secured by a charge (the mortgage) on Miss W's property. Lloyds needs to check the property is good security for the loan – that is, if Miss W didn't maintain mortgage payments, it would ultimately be able to recover the debt from the sale of the property.

Lloyds requires a satisfactory certificate of title for the property, provided by a firm of solicitors on its panel, before completion. Lloyds says it requires the solicitor to comply with the UK Finance Mortgage Lenders' Handbook. Lloyds says the solicitors would have to carry out relevant searches in order to complete this work.

It's not unusual for solicitors to act for both the purchaser of a property and the mortgage lender, provided there isn't a conflict of interest between the buyer and the lender. This reduces costs for the customer. I don't think Lloyds did anything unfair in proceeding on the basis that the firm of solicitors chosen by Miss W would act for Lloyds and Miss W.

I'd note here that both U and the firm of solicitors instructed by Miss W are regulated by the Solicitors Regulatory Authority. Lloyds is entitled to expect them to meet their professional requirements. That includes the solicitors declining to act if they consider there's a conflict of interest, and ensuring its staff are appropriately qualified to carry out client work.

Miss W says the person that did the conveyancing isn't qualified and wasn't supervised by a qualified solicitor. I can't fairly find that Lloyds was responsible for how the solicitors firm allocates or supervises work. I think that's a matter better raised with the solicitors or the Legal Ombudsman.

I wouldn't expect Lloyds to tell Miss W what searches the solicitors would carry out or explain the different options – that's something she could more appropriately discuss with the solicitors.

Miss W says Lloyds and U are connected, that U provides quotes for legal services on behalf of Lloyds, U carries out personal local searches and she's been told it's unusual for the cost of local searches to be listed under "fees" rather than "disbursement". Miss W says that Lloyds controls what searches are carried out.

There's no doubt there's a connection between Lloyds and U. That doesn't mean there's a conflict of interest that adversely affects customers or that Lloyds is misleading its customers. I don't think I can fairly draw any adverse inference from the cost of local searches being referred to as fees.

Lloyds says while searches are typically ordered via U this isn't required. It says solicitors can choose what searches they carry out and how they do this in order to act in the best

interests of their client.

Miss W provided an email from the firm of solicitors she instructed. This said when U refers transactions to them they are required to use U's search providers and search packs. The solicitors said personal searches are carried out on all matters referred by U. The solicitors went on to say that personal searches are mostly carried out on all private transactions unless the customer specifically requests an official search. They said personal searches include indemnity insurance in case of any missing or incorrect information.

Miss W told us she had no contractual or documentary evidence that Lloyds required her solicitor to rely on a personal search other than the solicitor's email referred to above. Miss W told us she's taken legal advice about her next steps, which will include asking for documents from the conveyancing firm which she says will reveal Lloyds' involvement. Miss W doesn't know when she might receive this. Miss W said Lloyds declined to provide copies of emails and call recordings between it and the conveyancers regarding her property.

I haven't asked Lloyds to provide copies of the documents that govern the relationships between Lloyds, U, the search providers, and the solicitors. I haven't asked for copies of any emails and call recordings between Lloyds and the solicitors related to Miss W's property. I don't think it's reasonable to delay resolving this complaint while Miss W seeks to obtain copies of documents from the solicitors or Lloyds.

Our remit is to resolve disputes quickly and with minimum formality. Having considered what Miss W has said, I don't think I need to ask for these documents and recordings in order to reach a fair decision – that is, what I consider fair and reasonable in the circumstances of the complaint. I'm satisfied that I can reach a fair decision based on the information available to me. I think it's unlikely these additional documents and recordings would provide information that would change the outcome of my decision.

Lloyds accepts a certificate of title where the solicitor relies on a personal local authority search. That's a commercial decision for Lloyds to make. I think it's unlikely the terms on which the solicitors were appointed by Lloyds prohibited the solicitors from carrying out or recommending additional or different searches if they thought that was in the best interests of their clients – Miss W and Lloyds.

I don't know if the circumstances here should have prompted the solicitors to carry out further searches, or whether they had a duty to explain the different types of local searches to Miss W. That's a matter better raised with the solicitors.

Even if Lloyds did require the solicitors to use a personal local authority search – and I'm not finding here that it did – that wouldn't mean that Lloyds is responsible for Miss W's losses. Lloyds didn't carry out the search. Unless it had reason to think otherwise, I think it's reasonable for Lloyds to assume that the search would be carried out properly and contain all relevant information. Miss W says an official local authority search would have revealed that the property didn't have permitted development rights. I think it's more likely that the problem here was that the search results were incorrect or incomplete rather than with the type of search. That's because Miss W told us she'd been made an offer (which she didn't accept) under the indemnity insurance. And Lloyds said it had been told that the insurance provider was dealing with a claim regarding missing information and was arranging a valuation of Miss W's property.

Lloyds made an error in its final response. It said it had contacted the solicitor before responding to Miss W's complaint, and the solicitors had told it they sent an information pack to Miss W in November 2022. This was correct, but Lloyds used the wrong name for the

person it spoke to at the solicitors. It apologised for this. I don't think it's fair and reasonable in the circumstances to require it to do more.

Miss W said the surveyor instructed by Lloyds overvalued the property. As this wasn't part of the complaint raised with Lloyds, I can't fairly look into a complaint about the valuation here.

Miss W is looking into ways to recover her losses. I understand there's an insurance claim in progress related to the personal local authority search. Miss W said she's taking advice regarding a complaint against the solicitor. Meanwhile, Miss W has had to put work on the property on hold while she sorts out the position regarding planning consents. I appreciate that this must be stressful and I'm sorry for the situation Miss W is in. But I don't think, based on the available evidence, that Lloyds treated Miss W unfairly or that Lloyds made an error that resulted in Miss W buying a property without knowing that it doesn't have permitted development rights. It follows that I don't think it's fair and reasonable in the circumstances to require Lloyds to pay compensation.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 14 February 2025.

Ruth Stevenson
Ombudsman