

The complaint

Mr and Mrs M complain that Lloyds Bank PLC is expecting them to repay their mortgage now that Mr M has reached the age of 75, without offering them any other option. They say there was no age limit discussed with them when they took out their mortgage and so they don't feel it's fair that an age limit is being applied now that their mortgage term has ended.

What happened

Mr and Mrs M have a residential mortgage, sold to them by a previous lender and later transferred to Lloyds. Their home is part of a building that also consists of two commercial units – also owned by them and rented out to provide pension income. Their mortgage was agreed on an interest rate that tracked 0.36% above the Bank of England base rate until the term end.

Over the years Mr and Mrs M have borrowed further funds, changed their mortgage to interest only and they've extended the term to end on 31 January 2022 – at which point the outstanding capital amount remaining would become payable.

Since 2019, Lloyds has been in touch with Mr and Mrs M to remind them that their interest only mortgage was maturing soon, and that the capital was repayable on 31 January 2022.

In July 2020 Mr M called Lloyds to discuss extending the term of the mortgage. He said that while he has the means to sell other properties to repay the mortgage, he'd rather keep this mortgage going on the low interest rate that it's on and retain his other properties, including some holiday homes abroad.

Lloyds considered an application. At this time Mr M was retired and Mrs M semi-retired. They were receiving pension income alongside income from their commercial properties.

The options of a repayment mortgage and a retirement interest only (RIO) mortgage were discussed, but Mr and Mrs M didn't qualify because they didn't meet affordability criteria. This was largely because Lloyds doesn't accept income from commercial properties as part of its affordability assessment and their pension income alone wasn't enough.

On 6 November 2020 Mr M raised a complaint about how Lloyds had registered its charge against their property and about having to change lender after being declined for lending due to income. Lloyds answered the complaint on 11 February 2021.

On 18 February 2021 Mr M discussed extending the term of the mortgage again with Lloyds. Because Mr and Mrs M's circumstances remained largely the same, Lloyds still couldn't help them.

The mortgage term expired on 31 January 2022 and full repayment fell due. Mr M told Lloyds that they were intending to sell the security property to repay the mortgage. Several extensions were granted whilst they marketed the property to be sold.

Mr M raised another complaint with Lloyds in October 2022. He said that he feels they're

being forced to sell their property against their will because of their age. Mr M said there's no mention in their mortgage agreement that they can't obtain lending above the age of 75.

Lloyds didn't uphold the complaint. It said that the mortgage was agreed on the terms and conditions set out in the mortgage offer issued to Mr and Mrs M at the outset. It did not agree that it (or its predecessor lender) should've let Mr and Mrs M know the maximum lending age for a mortgage when they took it out. Its policy is subject to change and there is nothing to suggest that the end of the mortgage term was agreed based on age.

Mr and Mrs M asked our service to look into their concerns. An investigator looked into things and didn't recommend that the complaint be upheld. She thought that Lloyds had given fair consideration to the options available to Mr and Mrs M to extend the term of their mortgage.

Mr and Mrs M disagreed and asked for their case to be considered by an ombudsman. They say they were never told that their interest only mortgage was limited by age. It was never their intention to repay the loan off until they chose to sell their property. They say that they've been negatively impacted by the transfer of their mortgage to Lloyds and what they consider to be a change to their mortgage terms.

Mr and Mrs M raised other reasons why they're unhappy with the service provided by Lloyds including the arrangement of the title deeds and the legal charge held on the property. They also say that they're unhappy that a survey wasn't carried out on their residential property at the time of borrowing.

Lloyds did not consent to our service considering part of Mr and Mrs M's complaint because it said that it's been brought too late – outside of the time limits set by the financial regulator. As such, before deciding the merits of this complaint, I issued a decision setting out which parts of Mr and Mrs M's complaint our service has the power to consider.

In summary I said that our service can only consider whether Lloyds has treated Mr and Mrs M unfairly because of their age. I went on to issue a provisional decision on the merits of Mr and Mrs M's complaint. An excerpt of which follows:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Having done all that, I don't think this complaint should be upheld. I realise this will be disappointing for Mr and Mrs M. But I hope the reasons I have set out below will help them to understand why I have come to this conclusion.

The starting point here is that when Mr and Mrs M took their mortgage out, they agreed to repay the outstanding capital at the end of the term. Those terms were made clear in their original mortgage offer and then in subsequent offers – following the changes made to the mortgage over time including an extension of the term until January 2022.

The original conditions of the mortgage which Mr and Mrs M agreed to weren't affected by the transfer of their mortgage to Lloyds. Their mortgage moving to Lloyds has had no impact on the mortgage end date. So, it's not unreasonable for Lloyds to expect the loan to be repaid as agreed.

It's important to note here that Mr and Mrs M had options available to them to repay the mortgage when the term ended. They own several properties – including two unincumbered and unoccupied holiday homes abroad that they could sell to repay their mortgage. They were not in a position where they were unable to repay their mortgage. It was their preference to retain the mortgage on interest only terms on the low interest rate it was on. That way they could avoid selling any property, which they thought would be more financially beneficial for them.

Mr M spoke to Lloyds about their options in July 2020 and again in February 2021. Lloyds considered several possibilities.

An extension of a mortgage on its existing terms is usually considered when the customer is unable to repay the capital and they need more time to meet their repayment strategy. Mr and Mrs M had a way of repaying their mortgage (albeit one they'd rather not have to use), so this wasn't an option that Lloyds considered. That said Lloyds did grant several informal extensions, so Mr and Mrs M had the time to market and sell property.

The other possible options available were taking a repayment mortgage or a Retirement Interest Only (RIO) mortgage. Either option is essentially a new contract. In these circumstances it's reasonable for Lloyds to require Mr and Mrs M to submit a new mortgage application which would be considered in line with its usual lending criteria. And I'd expect Lloyds to give that application fair consideration. Lenders are required to carry out affordability assessments, but have discretion about what income they are and are not prepared to except – and Lloyds isn't prepared to accept the risk of mortgage payments which rely on income from commercial rentals to be affordable.

So Lloyds did consider these options, but neither one proved affordable for Mr and Mrs M, so they couldn't proceed. Lloyds recommended Mr and Mrs M obtain independent legal advice and a referral to a third-party lifetime mortgage provider was also arranged, so they could explore options with other providers.

For the reasons I've explained in my previous decision, I'm unable to look into whether Lloyds acted unfairly by refusing further lending in 2020 and 2021 because Mr and Mrs M didn't meet affordability criteria due to their income. So I've not commented on the fairness of Lloyds' lending decisions here – though I have explained the reasons Lloyds made the decisions it did, as they support the finding I reach below – that these decisions were not driven by Mr M's age.

I understand Mr and Mrs M's frustration. They feel that it's because of their age that Lloyds is asking them to repay their mortgage. They say that they were never told that their interest only mortgage was limited by age.

I can assure them that's not the case. Mr and Mrs M are not being asked to repay their mortgage because Mr M has reached the age of 75 but rather because the term of their mortgage has ended. There is nothing in the terms and conditions of their mortgage that say the end date is determined by their age or that an extension would automatically be granted in any circumstances – or would be refused solely because of age.

I've not seen anything to suggest that Lloyds has refused to agree a new mortgage for Mr and Mrs M because of their age. Lloyds considered lending for Mr and Mrs M further into retirement, past the age of 75. But despite Lloyds' efforts, it's been unable to agree another mortgage product for Mr and Mrs M because the options are unaffordable based on their income and the application of Lloyds' lending criteria.

I appreciate Mr and Mrs M feel that they had an agreement in place whereby they could continue to extend the mortgage until they were ready to sell their property and pay it off at a time that suits them, but that is not the case here. As I've explained, the mortgage agreement in place specifies a clear end date of the mortgage term, and under the terms of the mortgage, it's not unreasonable for Lloyds to expect the loan to be repaid as agreed – giving Mr and Mrs M more time to put the arrangements to do so in place if necessary, as it did.

I can see Mr and Mrs M are actively trying to sell their property to repay the capital owed to Lloyds. I understand the property has been on the market since the early part of 2022. Mr and Mrs M have recently told our service that due to the time the sale is taking they're now considering alternative options of selling other property instead. I encourage Mr and Mrs M to get in touch with Lloyds (if they've not done so already) to update it on their current circumstances so an agreement as to the repayment of the funds can be reached. And while Lloyds is entitled to expect the mortgage to be repaid, I remind it that it needs to continue to treat Mr and Mrs M fairly and give fair consideration to any proposals for repayment they might make.

Finally, I note that during their complaint, Mr and Mrs M have raised other concerns about Lloyds directly with our service. Some of those issues include how the valuation was conducted on their property at the time the mortgage was sold, and more recently about how interest is being charged now that the mortgage has reached the end of its terms. As these are different complaints which haven't been made before, Mr and Mrs M need to first raise their concerns with Lloyds for it to investigate. If they remain unhappy following its response, they can then refer the complaint back to us.

My provisional decision

My provisional decision is that I don't uphold Mr and Mrs M's complaint against Lloyds Bank PLC."

Both parties have responded to my provisional findings. Lloyds has responded to say that it has nothing further to add.

Mr and Mrs M responded to say that the core of their complaint is about the lack of information given to them at the time of sale with regard to the perceived age limitation of their mortgage. They say that they would not have entered into an agreement to take the loan if they were told it had an end date.

In addition, they describe the ongoing difficulties they face with regard to how Lloyds has registered its charge on their property with the Land Registry. They say that they've been in direct contact with Lloyds about this to come to a solution that would help them to sell all three of their premises separately.

Mr and Mrs M say that despite their honourable intentions, Lloyds has refused to respond to their request for a resolution moving forward. They're also being prevented from paying more towards their mortgage and they're being charged interest upon interest. Mr and Mrs M feel they should be awarded some compensation for all the stress and worry they've been caused.

I'll now proceed to issue my final decision on this case.

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.

Having done so, I note that neither party has made any new arguments, or provided any new evidence, that I've not already considered when reaching my provisional decision. So, I see no reason to depart from what I provisionally decided.

When reaching my provisional findings, I considered Mr and Mrs M's complaint about how the mortgage was sold to them. As I've explained, Mr and Mrs M's mortgage offers clearly state the date the capital is repayable by. There is nothing in the terms and conditions of their mortgage that say the end date is determined by their age or that an extension would automatically be granted in any circumstances – or would be refused solely because of age.

It's for these reasons that I don't agree that the mortgage was mis-sold to them under false pretence that it could run indefinitely until Mr and Mrs M chose to sell their property and repay the mortgage.

In addition, in my decisions to date I've also explained which parts of Mr and Mrs M's complaints I'm not able to consider – this includes the issue relating to how Lloyds has registered its charge on the property.

Having considered this complaint I don't find that Lloyds has treated Mr and Mrs M unfairly because of their age. As such I've not upheld the complaint and won't be directing Lloyds to do anything further. Because I've not found that Lloyds has got things wrong, I can't reasonably expect it to pay a compensation award for this reason, or for any other for that matter.

I appreciate that Mr and Mrs M have mentioned ongoing concerns about their treatment by Lloyds. As I've explained they will need to raise these matters as new complaints with Lloyds first before our service can look into things. If they've already done this and eight weeks has passed without a reply from Lloyds, they can contact our service using our helpline or website to register a new complaint.

I remind Lloyds that, whilst it is entitled to expect the mortgage to be repaid, it needs to continue to treat Mr and Mrs M fairly and give fair consideration to any proposals for repayment they might make.

My final decision

My final decision is that I don't uphold Mr and Mrs M's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 6 January 2025.

Arazu Eid
Ombudsman