

The complaint

Heading

This complaint is about an offset mortgage Mr and Mrs J held until recently with Lloyds Bank PLC trading as Scottish Widows Bank.

In essence, the complaint is that when they wished to move house and port their fixed rate mortgage product, Scottish Widows (which by then had withdrawn from the consumer market and was only providing new mortgages to existing borrowers) informed their mortgage broker of a rate for additional borrowing that they considered uncompetitive compared with other providers. Mr and Mrs J took a mortgage with a new lender at a lower rate, but paid an early repayment charge (ERC) on redeeming the Scottish Widows mortgage.

Mr and Mrs J think it's unfair that Scottish Widows didn't inform them directly of its decision to withdraw from the market, and suspect that there may have been a better rate available that their broker wasn't told about.

What happened

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Instead I'll focus on giving the reasons for my decision. 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.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we work within the rules of the ombudsman service and the remit those rules give us. We don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else.

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

Having no regulatory role means it's not in my remit to comment on Scottish Widows' decision to withdraw from the consumer market or the manner in which it made that decision known. Nor is it for me to second guess the level at which Scottish Widows sets its interest rates. That's a matter for a lender's commercial judgement, and it will reflect the degree to which it wants to compete in the market generally.

Based on the information presented to them, Mr and Mrs J were faced with a choice between two options; stay with Scottish Widows for their new mortgage or moving to a new

lender. They chose the latter, knowing it would mean they would lose the offset benefits that the Scottish Widows mortgage provided, and would also incur an ERC. It might have been a choice between two unattractive alternatives, but it was a choice nonetheless. I can't fairly hold Scottish Widows responsible for the choice Mr and Mrs J made.

That's because the rate quoted to Mr and Mrs J for the additional borrowing they wanted for their house move didn't come directly from Scottish Widows. It was quoted to them by their mortgage broker. The process by which the broker researched and selected that rate to recommend to Mr and Mrs J isn't a matter for Scottish Widows.

If Mr and Mrs J think there was a lower rate for which they would have been eligible, that would have enabled them to stay with Scottish Widows and avoid paying an ERC, that's a conversation they need to have with the broker. If not happy with the outcome of that, Mr and Mrs J would then have the option to raise a complaint with the broker, and to refer that complaint to us for separate consideration if need be.

To be clear, I imply no criticism of the broker here, and none should be inferred. My decision here deals solely with Scottish Widows' actions.

It would have been helpful if, in the final response, Scottish Widows had explained more fully the relationship between lender and broker, to aid Mr and Mrs J's understanding that it was for the broker to exercise its own judgement on the most suitable interest rate to recommend to them. I agree with the investigator that this, combined with the time it took to provide an explanation, warrants a payment of £150 compensation.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement, I direct Lloyds Bank PLC trading as Scottish Widows Bank to pay Mr and Mrs J £150 compensation. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs J to accept or reject my decision before 10 February 2025.

Jeff Parrington
Ombudsman