



The complaint

Mr and Mrs H complain that Lloyds Bank plc has treated them unfairly by threatening to take their property into possession when they've been trying to sell the property themselves.

What happened

Mr and Mrs H took out their mortgage with Cheltenham & Gloucester, now Lloyds, in 2007. They borrowed just over £540,000 on an interest-only basis. The mortgage term ended in 2019.

Mr and Mrs H decided they would need to sell their home in order to repay the mortgage. Lloyds put action to recover the mortgage debt on hold a number of times since 2019, firstly to give Mr and Mrs H time to consider their options and then to sell the property.

In February 2024 Lloyds wrote to Mr and Mrs H saying it would proceed with legal action if they didn't get in touch. Mr and Mrs H complained. They said Lloyds was being unreasonable in threatening repossession when they were trying to sell the property.

Lloyds said it had sent the letter in February 2024 because it hadn't heard from Mr and Mrs H as expected the previous month. It asked them to keep in touch about their progress with the property sale.

Mr and Mrs H referred their complaint about Lloyds' treatment of them to the Financial Ombudsman Service. Our Investigator said she didn't think Lloyds had treated Mr and Mrs H unfairly in the circumstances, and she didn't recommend that the complaint be upheld.

Mr and Mrs H didn't accept that conclusion and asked for an Ombudsman's review. They said they're keen to downsize and have been trying to sell the property since February 2020, but it hasn't sold because of the economic climate and the coronavirus pandemic. They said they have kept in regular contact with Lloyds, it was unfair to threaten them with repossession when they're trying their best to sell, and they have found the situation extremely stressful. They also said they're unhappy about the interest that has accrued separately on the mortgage, which Lloyds hadn't told them about and they hadn't agreed to, and which is eroding the equity in the property.

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.

The term of Mr and Mrs H's mortgage ended in 2019. Mr and Mrs H had agreed to repay their mortgage at that point, and Lloyds was entitled to expect them to do so. Circumstances can and do change, however, and I would expect Lloyds to have considered Mr and Mrs H's situation and treated them fairly when they weren't in a position to settle the mortgage.

Lloyds allowed more time for Mr and Mrs H to repay the mortgage and held off from taking action to recover the debt for periods of months at a time – firstly while Mr and Mrs H looked into what their options might be, including taking independent advice; then during 2020 and 2021 because of the coronavirus pandemic, its impact on the property market and Mr and Mrs H's concerns about visitors to the property; and later to prepare the property for sale and ultimately sell it once it was on the market in early 2022. I think all of that was reasonable.

By February 2024 the property had still not been sold and wasn't under offer. Lloyds has said it expected Mr and Mrs H to contact it in January 2024 with an update, but it hadn't heard from them. Its records reflect that. It then wrote to Mr and Mrs H saying it would begin legal action in three weeks if it didn't hear from them.

It's clear that Mr and Mrs H were very upset to receive this letter. But I must bear in mind all the circumstances – including that by February 2024 Lloyds had suspended any action for more than four years to give Mr and Mrs H time to repay their mortgage. It had also offered to help them sell their property through its assisted sale scheme. Mr and Mrs H had been in regular contact but not, it appears, when agreed in early 2024. Against this overall background, I don't think Lloyds was unreasonable in proposing to start possession proceedings.

Possession should be a last resort but, ultimately, a lender is entitled to seek possession of a property if no agreement for repayment is reached. While Mr and Mrs H have had the property on the market, there appears to have been no significant progress on a sale. I wouldn't expect Lloyds to suspend debt recovery action indefinitely, particularly while the mortgage debt is increasing through the addition of interest which will be reducing the equity in the property. I also note that Lloyds' records say that it told Mr and Mrs H several times on calls in 2023 that it wouldn't be prepared to continue suspending further action.

In all the circumstances, while I recognise that Mr and Mrs H find themselves in a difficult and stressful situation, I think that Lloyds has treated them fairly and I can't reasonably uphold their complaint. I don't consider that it would be fair or reasonable for me to require Lloyds to suspend action for a further period of time, although it may decide to do so depending on Mr and Mrs H's current situation. I encourage Mr and Mrs H to keep in touch with Lloyds about the mortgage and any progress with the property sale.

Finally, Mr and Mrs H have told us that they're unhappy about the interest that has accrued separately on the mortgage, which they have said Lloyds didn't tell them about and which they didn't agree to. This isn't the complaint that Mr and Mrs H brought to us or to Lloyds, and Lloyds must first have an opportunity to try to resolve it before we can look into it – so I think this is a matter for Mr and Mrs H to raise directly with Lloyds if they remain concerned.

My final decision

My final decision is that I don't uphold this complaint.

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 14 February 2025.

Janet Millington
Ombudsman