

## **The complaint**

Miss V complains that Lloyds Bank PLC failed to give her clear and timely information about taking out a new interest rate product for her mortgage. The mortgage went onto Lloyds' variable rate. Miss V re-mortgaged, incurring costs in doing so.

Miss V asks that Lloyds refunds the additional interest she paid while her mortgage was on the variable rate. She asks for an apology from Lloyds and from the staff member that dealt with her complaint.

## **What happened**

Miss V had a residential mortgage with Lloyds. In July 2023 she applied for consent to let as she'd be living in a different area for a year. Lloyds gave consent for the property to be let from July 2023 to July 2024. It said Miss V could not take out a new interest rate product while the property was let out.

Miss V's mortgage product was due to expire on 31 July 2024. Lloyds said she couldn't take out a new interest rate product while the property was let out. Miss V asked if she could move back in, take out a new product and then let the property out again shortly after. The mortgage adviser she spoke to wasn't sure and said they'd get back to Miss V. The mortgage adviser didn't contact Miss V again. Miss V says she assumed she wouldn't be able to move in, take out a new residential product and then re-let the property.

Miss V extended the tenancy. She took advice from a broker and applied for a consumer buy to let mortgage with another lender, which completed in September 2024.

Miss V found out in mid-July 2024 that Lloyds would allow her to take out a new product as soon as she moved back into the property. Miss V says if the mortgage adviser had told her this, she'd have been able to sort out a new product and avoid being on the variable rate. She says this caused her considerable stress at a time when she was dealing with a number of other matters.

Miss V raised a complaint with Lloyds about the lack of contact and that it didn't tell her there's no minimum re-occupancy period required before taking out a new residential mortgage product.

Our investigator said while Lloyds doesn't have a minimum re-occupancy period, this isn't intended to allow customers to bypass the terms of the consent to let or allow them to benefit from a residential product when they didn't intend to live in the property.

Our investigator said Lloyds' offer of £150 was fair for its failure to contact Miss V when it said it would. Our investigator said Miss V wasn't in a less favourable position due to the lack of contact. She was letting out the property and had a consumer buy to let mortgage which reflected her use of the property.

Miss V didn't agree and asked that an ombudsman re-consider her complaint.

## **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.

Miss V had a residential mortgage. It was a term of the mortgage that she lived in the property.

Miss V intended to live in a different area for a year while she studied. She asked Lloyds for consent to let her property while she was away. Lloyds agreed that the property could be let from July 2023 to July 2024. It said Miss V could not take out a new interest rate product while the property was let out.

Miss V let out the property. The tenancy agreement was due to expire on 31 July 2024.

Lloyds wrote to Miss V in May 2024 to remind her that her interest rate product was due to expire on 31 July 2024. It wrote to her in June 2024 to remind her that her consent to let was due to expire on 9 July 2024.

Miss V told us she'd decided to live elsewhere for another year and wanted to let the property for another year. She wanted to discuss with Lloyds if she could fix a mortgage interest rate while she did this.

Lloyds agreed to extend the consent to let for another 12 months from 10 July 2024. It also agreed to switch the mortgage to interest only payments for six months under the Mortgage Charter. However, it didn't allow Miss V to take out a new interest rate product while the property was rented out. It could only offer a new product if Miss V confirmed she'd moved back into the property and was no longer renting it out.

Miss V was worried about meeting the higher payments when her mortgage went onto the variable rate on 1 August 2024. After taking advice from a broker, she took out a consumer buy to let mortgage with another lender. Miss V repaid the mortgage in September 2024.

### *Did Lloyds make an error?*

Lloyds made an error when its mortgage adviser didn't call Miss V back in mid-June 2024. I've listened to a recording of Miss V's call with the mortgage adviser. The mortgage adviser said she'd call Miss V the next day or leave a message with the answer to her question – whether she could take out a new product if she moved back into the property on a temporary basis. The mortgage adviser didn't call Miss V when she said she would.

Lloyds accepts it made an error in failing to contact Miss V and give her correct information in response to her question. It paid compensation of £200. While I appreciate that Miss V will be disappointed, I don't think it's fair and reasonable to require Lloyds to refund interest or pay further compensation. I've explained why below.

Lloyds offers consent to let as a concession, to assist customers whose circumstances require them to live away from the property for a temporary period. It doesn't allow customers to take out a new residential interest rate product while the property is rented out. It made this clear when it gave the consent to let.

Miss V's monthly payments increased when her product expired and the variable rate applied. This wasn't due to an error by Lloyds, this was in accordance with the mortgage terms. I don't think that Lloyds had fairly to allow Miss V to take out a preferential residential mortgage product when she was letting the property.

Miss V was told in mid-July 2024 there was no minimum period to re-occupy the property before she could take out a new product. She said if Lloyds had told her this in June 2024 she could have started the process to remove the tenant from 31 July 2024. She could have moved in over the summer and secured a new product with Lloyds, before letting the property out again in September or October 2024. By mid-July 2024, Miss V had told the tenant they could stay in the property until September 2024.

The mortgage adviser Miss V spoke to in June 2024 gave Miss V her number and said she could call her at any time. I appreciate that Miss V was busy at this time, and the mortgage adviser had said she would call Miss V or leave her a message. The mortgage adviser should have called Miss V. But if Miss V did need an answer before making a decision about the tenancy, she could have contacted Lloyds again.

Miss V told Lloyds she wanted to live elsewhere but didn't want to sell her property in case this didn't work out. She told Lloyds she had a good tenant and the rent was paying the mortgage and helping with her other costs.

Miss V couldn't take out a new product while the property was rented out. The tenancy agreement expired on 31 July 2024. Miss V couldn't move into the property and apply for a new product until August 2024. By that time the mortgage was on the variable rate. If Miss V had moved back in, she wouldn't have received rent from 1 August 2024 until such time as a new tenant moved into the property. Miss V would have lost rental income for that period. She'd have had the costs and inconvenience of moving. While Miss V says her studies didn't require her to be away, she referred to work and other commitments where she was living.

Miss V took out a consumer buy to let mortgage with another provider. She says this was the cheapest option. Having taken advice from a broker it's likely that, by mid-July 2024, Miss V had a reasonable understanding of her options and the available rates for a consumer buy to let mortgage. The mortgage she took out has a fixed interest rate product which expires in early 2027. The monthly interest only payments are similar to those Miss V made before her product with Lloyds expired. I don't know if she'd have secured a better rate if she'd stayed with Lloyds and taken out a new fixed rate product, given that Lloyds adds 0.5% for the consent to let. Miss V now has a mortgage that fits with how she's using the property.

Miss V would have been better able to consider her options if Lloyds' mortgage adviser had called her back in June 2024. She'd have had to take a range of factors into account to decide what her best course was and I don't think her decision would have been straightforward. I don't think I can fairly find that Miss V would certainly have terminated the tenancy and moved back into the property, or that she'd now be better off if she had.

It follows that I don't think it's fair and reasonable in the circumstances to require Lloyds to refund interest or pay further compensation for the cost of being on its variable rate from August 2024.

I've listened to Miss V's calls with Lloyds in July 2024. Miss V was worried about the cost of being on the variable rate and how this would impact her meeting other living costs, and her plans for a new career elsewhere. There's no doubt Miss V was upset and worried about the situation she was in. I don't think, in fairness, this was entirely due to the mortgage adviser not calling her back in June 2024. As I said, I'm not certain that Miss V would have acted differently if the mortgage adviser had called back with the answer to her question. Even if the mortgage adviser had called Miss V back and she'd decided to move back into the property, she couldn't have avoided going onto the variable rate for some time, and would have been without rental income. From what Miss V said it seems she was under pressure due to exams and the time and effort she put into her studies and paid work. Miss V was applying to re-mortgage elsewhere, and the application process would also have been

stressful. For the *additional* upset caused by Lloyds' error, I think its payment of £150 is fair and reasonable.

Miss V is unhappy about the way her complaint was dealt with. Complaint handling isn't itself a regulated activity, which means we can't always look into it. While we can in some circumstances – for instance if the way the complaint was dealt with stopped the underlying problem being sorted out – I don't think that was the case here.

### **My final decision**

My decision is that I do not uphold this complaint. That's because I think the compensation paid by Lloyds Bank PLC is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 25 February 2025.

Ruth Stevenson  
**Ombudsman**