

The complaint

Mrs A complains about how Lloyds Bank PLC has treated her whilst in financial difficulties and as she reaches the end of her mortgage.

Mrs A is represented by her husband in this complaint. But, for ease, I'll refer to the complaint as being brought by her.

What happened

Mrs A has an interest only mortgage with Lloyds which comes to an end in June 2025. She is currently in a significant amount of arrears of around £36,000.

Mrs A brought a complaint about Lloyds not helping her whilst she was in financial hardship to our Service in 2024, and some other matters, which wasn't upheld. This complaint focusses on what's happened since that complaint was closed.

Mrs A recently applied to add her son to the mortgage and extend the term. However, this was declined by Lloyds due to the arrears on Mrs A's current mortgage and affordability concerns. Mrs A complained about this to Lloyds. She also explained Lloyds hadn't provided her with feasible options to repay the mortgage or allow her to stay in the property which has been adapted for her and her husband.

Mrs A also complains that there was a lower interest rate available to her, which Lloyds didn't offer her. And Lloyds also offers lifetime mortgages, which also haven't been offered to her.

One of our Investigators considered the complaint but didn't think it should be upheld. Mrs A didn't agree. She said she now had a way to repay the mortgage by selling her investment property and taking a lifetime mortgage with another provider. But she needed time to do so. Mrs A said she thought she should be given a two-year fixed rate mortgage deal, which she hoped not to need to utilise all of to give her time to repay the mortgage in the way I've just set out.

Mrs A asked for the complaint to be passed to an Ombudsman. So, it's now with me to review and make a final decision.

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.

I'll address the separate complaint points under different headings for ease.

Application to add Mrs A's son to the mortgage and extend the term

It's generally for a lender to decide who it will lend to, and on what terms. Lloyds has shown us its underwriting notes which show why it considered the mortgage unaffordable for Mrs A and her son. This is a decision Lloyds is entitled to make. And I've seen nothing to suggest

this decision was an unreasonable one. Whilst Mrs A believe she could afford these payments, this is a decision for Lloyds, and one I don't intend to interfere with.

Application for a lifetime mortgage

Mrs A thinks Lloyds should offer her a lifetime mortgage. But it doesn't offer lifetime mortgages. Another brand within its wider group does, but this would need to be a separate application that Mrs A makes. Mrs A spoke with the other brand, but it wasn't able to provide the amount Mrs A required. I haven't considered this decision here as that would need to be another complaint set up against that lender.

Mrs A says that Lloyds should have given her this option sooner and referred her to yet another of its brands that offers lifetime mortgages. However, Lloyds has said that she doesn't currently meet the criteria to be referred to this other brand for a lifetime mortgage. And, at the time of discussion, other options were being considered to repay the mortgage, so I don't think Lloyds was required to suggest this as an option. Even if Lloyds had made this referral, it seems likely it would've been unsuccessful due to Mrs A not meeting that lender's criteria.

I understand Mrs A has now spoken with an independent advisor who can help with an application. And I'm pleased to hear that progress has been made. However, I don't think Lloyds has done anything wrong in this regard.

Offering a new fixed rate

Mrs A wishes to take a new two-year fixed rate and have the term extended. And she's also complained that Lloyds didn't tell her about this rate sooner.

Lloyds has explained why it wouldn't be responsible to extend the term given that Mrs A doesn't meet its lending criteria. I've addressed this below. And, given that Mrs A only has a matter of months left on her mortgage, a two-year fixed rate would take her beyond this. Furthermore, a two-year fixed rate would likely come with an early repayment charge meaning Mrs A would have to pay a significant amount if she repaid it early. Mrs A's plan to take a lifetime mortgage and sell her investment property is unlikely to take two years. And if she redeemed the mortgage sooner, she'd end up paying the early repayment charge.

Furthermore, given the level of Mrs A's arrears, and the fact that Lloyds could potentially take legal action to enforce the sale of the property, I don't think a new fixed rate with an early repayment charge would be in her best interests at this stage.

General assistance whilst in financial difficulty and reaching the end of the mortgage term

Given the significant level of arrears, I'm satisfied Lloyds has been flexible and understanding with Mrs A. It's put holds on her account, and not started any form of legal action at this stage. I'm aware she wishes to have another three to five years in order to sell the property. But I think it's likely her arrears will only increase during this time given the fact that she's unable to make the payments required at present.

Ultimately, the mortgage is coming to an end as agreed when Mrs A first took the mortgage. And Lloyds is entitled to expect the balance to be repaid. With no credible strategy to do so, it's possible Mrs A may have to sell the property sooner than she'd like to. She's said she'd like to sell when the market is in a better place. But there's no guarantee the market will improve, and no requirement for Lloyds to wait to see if it will. The mortgage was agreed to be repaid on a certain date, and Mrs A has been aware of the end date for many years. A

lender is under no obligation to extend a mortgage simply because the borrower would prefer to sell at a later date.

Furthermore, I'm aware that Mrs A has significant equity in this property and owns another invest property with equity. So, if she were to sell, she'd still be able to comfortably purchase a new property to live in, likely mortgage free.

Whilst I have a lot of sympathy for Mrs A, I can't see that Lloyds has done anything wrong in its dealing with her. So, I'm not going to ask it to take any further action.

Lloyds has said Mrs A can speak with its end of term team when the mortgage does end. And that it will consider new options. This is fair in the circumstances. It's also said it will work with her and allow her time to sell the property. I'd remind Mrs A that she should keep Lloyds regularly updated with the progress of her plans to repay the mortgage. And Lloyds should continue to treat Mrs A fairly in this regard.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 4 April 2025.

Rob Deadman
Ombudsman