

## **The complaint**

Ms K complains that Lloyds Bank PLC (Lloyds) won't allow her to take a new fixed rate for her existing mortgage unless she completes an advice meeting. She's also unhappy that the previous terms of her mortgage were replaced by updated terms and conditions when she ported the mortgage to a new property in 2020.

## **What happened**

Ms K took a mortgage in 2007 with another lender at 2% above the Bank of England base rate. In 2019, Ms K sold this property and repaid the mortgage. By this point, the previous lender had been taken over by Lloyds. Shortly after repaying the mortgage, Ms K applied to port it to a new property. Lloyds initially declined this on an affordability basis.

Ms K complained saying that the relevant regulatory rules said that because her mortgage had been taken prior to 2014, she didn't need to complete an affordability assessment. Lloyds agreed with this, and Ms K successfully ported her mortgage.

In May 2024, Ms K approached Lloyds about taking a new fixed rate on her mortgage. Lloyds explained that because Ms K's mortgage was on an interest only basis, with no repayment vehicle, Ms K would be required to complete an advised meeting before she would be able to take a new rate.

Ms K complained about this. She said that there was no requirement for her to complete an affordability assessment. Lloyds didn't uphold the complaint. Ms K followed this up with Lloyds saying she hadn't been told her original terms and conditions had been replaced with new ones in 2019, that the Lloyds website didn't contain clear information about the requirement for an affordability assessment and it was a waste of time completing the review.

Lloyds still didn't uphold Ms K's complaint, so she referred it to us where one of our Investigators looked into it. At this time, Ms K also raised the point that she wasn't offered a new rate in 2020 which she thinks she should've been had her terms and conditions changed.

Our Investigator was satisfied that Lloyds was entitled to ask Ms K to go through its process of having an advice meeting prior to agreeing a new rate. So, he didn't uphold the complaint. Ms K didn't accept this. She maintained that she wasn't required to complete an advice meeting or provide further details to Lloyds in order to take a new rate. She asked for the complaint to be considered by an Ombudsman. So, it's been passed to me to 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.

Ms K has raised a number of points and submitted her complaint to us in detail. I want to

reassure her I've read everything she's said. I may not comment on each and every point she's raised. Instead, I'll focus on what I consider to be the crux of the complaint. This simply reflects our Service's informal nature. And I hope Ms K realises I mean no disrespect by taking this approach.

I'd also like to set out our remit before I address this complaint. Ms K, at times in her submissions, has referred to us as the FCA, and questioned the wording of some FCA regulations. However, the FCA is a separate organisation to us. The FCA is the industry regulator which sets rules and regulations that businesses should abide by. Our remit is different to that. We look at individual complaints brought to us when there is a dispute between a regulated business and one of its customers.

When we consider complaints, we consider a number of factors, including the law, relevant regulations and what we consider to be best industry practice. However, our over-arching remit is what we consider to be fair and reasonable in the circumstances of the individual complaint. This means we may come to a different outcome than a court would.

When Ms K first applied to port her mortgage in 2019, she complained when her application was initially declined. She said that rules that followed the industry wide "Mortgage Market Review" (MMR) meant that Lloyds wasn't required to assess the affordability for the ported mortgage if she was borrowing on a like for like basis. Lloyds upheld this complaint in 2019, and agreed to allow Ms K to port the mortgage to the property it is now secured on. I set this out for background only, and I'm not making a finding on this particular complaint point.

This complaint focusses on Ms K not being allowed to complete a product transfer on her existing mortgage without being given advice in 2024. Ms K has referred to the MMR rules again, and she views the matter the same as in 2019 – that Lloyds shouldn't consider affordability as a barrier to allowing her to complete a product transfer. She's not willing to go through an advice meeting that she's been told could last between 90 and 120 minutes as she doesn't wish to switch from interest only to repayment. And she's satisfied she has a suitable repayment strategy for when this mortgage reaches the end of the term.

The MMR rules are set out within the wider regulatory rules for mortgage lending. These can be found within the FCA Handbook and are known as the Mortgage Conduct of Business (MCOB) rules. Amongst other things, the MMR rules required more stringent affordability checks to be carried out by lenders for mortgages. However, some rules were "transitional arrangements" for people that entered into mortgages they still held prior to these new rules coming in. The particular MCOB rule that Ms K is relying on for this complaint, and relied upon for her complaint in 2019, applies to mortgages taken before 2014, is MCOB 11.7. This rule, in summary, allows Lloyds to forego an affordability assessment for mortgages taken before 2014 if there is no additional borrowing, and the borrowing is in the consumer's best interests.

MCOB 11.7 is why Ms K says Lloyds cannot ask her to complete an affordability assessment or an advice meeting. However, Ms K isn't correct in her interpretation of this rule. She believes that this means that Lloyds cannot assess the affordability or suitability of her repayment vehicle for her interest only mortgage. This rule doesn't require a business to not complete an affordability assessment, rather it allows it to choose not to if the conditions set out above are met. Lloyds has said it will still allow Ms K to complete a product transfer, even if she doesn't meet the affordability for a repayment mortgage and any assessment suggests her repayment strategy isn't suitable. So, it will be applying MCOB 11.7 fairly. But MCOB 11.7 doesn't dictate the process a business should use to make this decision.

Lloyds is entitled to require interest only borrowers to take advice at times such as this as such borrowers are at higher risk of not being able to repay the balance at the end of the

term. Events such as a product switch are a good opportunity to check borrowers are on course to repay the mortgage and suggest changes if not. These are the actions of responsible lending. As long as Lloyds doesn't withhold a rate at the end of the advice, and I've seen nothing to suggest it will do, then it's not acted incorrectly.

I understand Ms K is frustrated that she'd have to put in the time to attend an advice appointment where she has no intention of following any advice that may come out of it. And Ms K may consider she doesn't need advice. However, as I've said, interest only borrowers as a group are at higher risk of not having the ability to repay the mortgage at the end of the term. And Lloyds can't know for certain whether Ms K is at higher risk unless it checks this.

I've seen a copy of Lloyds' policy on product transfers which confirms that any borrower on an interest only mortgage is required to undergo a mortgage review meeting prior to taking a new product. So, it's treating Ms K in line with all borrowers in the same situation as her.

Ms K has also said that she's willing to provide details of her repayment strategy which she says should satisfy Lloyds. Lloyds isn't discounting this. But it would need to be provided within an advice meeting in the presence of a qualified advisor. I don't consider this unreasonable.

Lloyds did agree that information on its website detailing the product transfer process could be clearer. It's fed this back to the relevant department. I can't see this has had any material impact on Ms K as she was told early on that she'd need to be provided with advice. So, I'm not making an award of compensation for this.

I'll now turn to Ms K's point about the terms and conditions being replaced when she ported the mortgage. When a mortgage is ported, it's essentially the interest rate that overlays the mortgage that is ported. This is typically done because a borrower either wants to continue to benefit from a particular rate or avoid paying an early redemption charge, or both. The mortgage on the new property, is essentially a new mortgage. And this means that new terms and conditions apply. I can see that Ms K was told about this in correspondence when porting her mortgage in 2020. She's said she didn't receive any correspondence from Lloyds at this time due to the coronavirus pandemic. However, all these documents would've also been sent to her solicitors who would've been responsible for making sure she understood the agreement she was entering into. I'm therefore satisfied that when Ms K ported her mortgage, her terms and conditions were replaced by the most recent Lloyds' mortgage conditions.

Ms K has talked about the portability of her mortgage in the future within this complaint. I'm not going to comment here on this as Ms K isn't trying to port the mortgage at this stage. So, there's no need for me to make a finding about whether she is entitled to port the current mortgage again in the future.

Ms K has raised with our Investigator the fact that she wasn't offered different rates in 2020 when she ported the mortgage. However, as this hadn't been raised directly with Lloyds at the time of this complaint being referred to us, it will need to be considered by Lloyds first. Ms K has asked that we wait and consider that complaint point together with the complaint I'm addressing here. However, I'm satisfied that I can fairly make a finding on the present complaint points without the issue of rates offered in 2020 being addressed here. And this complaint point will be addressed separately under a new reference.

### **My final decision**

I understand Ms K feels very strongly about this matter. But, for the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 4 June 2025.

Rob Deadman  
**Ombudsman**