

The complaint

Mr and Mrs O's complaint relates to a buy-to-let mortgage they have with Lloyds Bank PLC. They are unhappy that Lloyds is pursuing legal action to repossess the mortgaged property because the mortgage was not repaid in 2022 when Lloyds says the term ended. They dispute that the term ended in 2022, as on each occasion they took borrowing, it was for a term of 19 or 20 years, and so the term should not have ended in 2022.

What happened

In 2003 Mr and Mrs O took out, via an independent mortgage broker, a mortgage with Lloyds. They borrowed £280,000 over a term of 19 years on a repayment basis. They attached a two-year fixed interest rate product to the mortgage of 4.49%.

In 2006 Mr and Mrs O borrowed another approximately £450,000 over a term that matched the existing borrowing. Lloyds has not provided documentation to evidence of this part of the mortgage from 2006, but it has provided documentation from 2008, which confirms that the term matched the existing borrowing.

In April 2008 the total borrowing was approximately £706,000 with a remaining term of 14 years. Mr and Mrs O had also converted the mortgage to an interest-only basis.

The mortgage was due to be repaid in May 2022, but Mr and Mrs O didn't do so.

Mr and Mrs O raised a complaint in 2023 about Lloyds' actions following the term of their mortgage ending in April 2022. One of my Ombudsman colleagues considered their concerns about what had happened up to June 2023. He didn't uphold the complaint.

In light of the previous decision considering Lloyds actions up to June 2023, I have only documented events below since that point in time.

Mr and Mrs O had provided information to us in June 2023 that indicated they had a plan to raise the money needed to repay the mortgage with Lloyds. As such, Lloyds placed a hold on the legal action to give Mr and Mrs O the opportunity to provide supporting evidence of the plans. The hold on the account was extended numerous times until May 2024, when Mr and Mrs O said they were putting the property on the market for sale. Lloyds subsequently decided to move forward with legal action, which was confirmed in writing to Mr and Mrs O in September 2024. Mr and Mrs O were told around that time that a property being on the market was not sufficient for a hold to be placed on the account.

In October 2024 Mr and Mrs O told Lloyds that they would be paying £200,000 off the mortgage within four weeks. The remainder of the mortgage would then be repaid once a second property was sold. They said later that month they believed they would be able to repay the mortgage within two years based on a plan to convert a property they owned into two, but on which they had previously had a planning application declined. Mr and Mrs O subsequently told Lloyds that they would be repaying the remainder of the mortgage with a re-mortgage.

Mr and Mrs O raised new complaint issues with Lloyds at various points over the summer of 2024. These related to the interest being charged on the mortgage; it was more than the monthly payment and so the balance was increasing. In addition, they said that the information available on internet banking showed that the mortgage account had started in 2006 over 20 years and so the term had not expired as Lloyds had told them it had. Mr and Mrs O also complained about the legal action Lloyds was taking, as they didn't think it should be doing so.

Lloyds responded to the complaint in a letter of 11 October 2024. Lloyds didn't think it had acted inappropriately when it decided to continue legal action, due to how long ago the mortgage term had ended. In relation to the monthly payments being collected, Lloyds confirmed that this was because the term had ended and explained that Mr and Mrs O could make additional payments to cover the interest that was not being collected. Lloyds confirmed that the mortgage term did expire in 2022. It also confirmed that the mortgage term showing on internet banking had a minus sign in front of the number, which it had previously explained showed the amount of time that had passed since the mortgage term ended.

Mr and Mrs O contacted us and asked us to consider their complaint about the term of the mortgage and the legal action Lloyds was taking.

A court date was set for November 2024. This was postponed and legal action was placed on hold due to this Service considering the complaint.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld. Mr and Mrs O didn't accept the Investigator's conclusions and it was decided that the complaint should be referred to an Ombudsman for consideration.

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.

Mr and Mrs O have firstly questioned that their mortgage ended in 2022. They have said that they took each of the mortgage advances over terms of 19 or 20 years. I have reviewed the mortgage agreement Mr and Mrs O signed in 2003 and it is clearly documented that the term of the mortgage was 19 years and so it would have ended in 2022, as Lloyds has said.

Lloyds has not been able to provide any documentation from the time of the 2006 further advance. However, it would be normal practice for the term of new borrowing to be the remaining term of the existing mortgage. This is supported by the interest rate switching documentation from 2008, which documents both parts of the mortgage as having a term of 14 years. As such, I am satisfied that the term of both parts of Mr and Mrs O's mortgage ended in 2022.

I would at this point confirm that I will only be considering the events regarding the administration of the mortgage, including legal action, from June 2023, as my colleague has already issued a decision on the events before that date.

Mr and Mrs O put forward a plan for repaying the mortgage in June 2023, and Lloyds placed the legal action on hold. That hold remained in place until May 2024, when Mr and Mrs O were told that their new plans for repaying the mortgage were not sufficient for a hold to be in place – some evidence that the plans were going ahead were needed, for example a mortgage offer or evidence of a sale. However, despite this, Lloyds gave Mr and Mrs O several more months before it applied to the court for possession of their property in

September 2024. That action was again placed on hold and the hearing adjourned because Mr and Mrs O referred their complaint to this Service.

I don't consider Lloyds acted inappropriately when it decided to remove the hold on legal action in May 2024. By this point the mortgage was two years overdue being paid and, despite Mr and Mrs O putting forward several plans to repay the mortgage, none of them had come to fruition. That said, Lloyds still gave Mr and Mrs O more time to move forward with their plans before it started the court process. I can't find fault with it for doing this or in its decision that it needed to take action to facilitate the repayment of the mortgage, given that none of Mr and Mrs O's plans seemed to be likely to do so within a reasonable period of time.

Overall, I don't consider that Lloyds acted inappropriately or that it treated Mr and Mrs O unfairly between June 2023 and when they referred their complaint to this Service in October 2024.

The legal action was again placed on hold when the current complaint was referred to this Service, and I can only consider that action to have been reasonable in the circumstances. However, I would explain that while lenders will generally agree to put recovery action on hold whilst we look at a complaint, they don't have to and we can't force them to. If the Financial Ombudsman Service had that power it would undermine our impartiality between the parties to a complaint. It would also create the potential risk of consumers using our service to bring complaints with the intention of obstructing businesses that were trying to take legitimate action through the courts to recover money owed to them. I do not wish to alarm Mr and Mrs O, but I would not want them to be under any misunderstanding that we would tell Lloyds that it must suspend any recovery action in the event of a new complaint being raised.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs O to accept or reject my decision before 17 April 2025.

Derry Baxter
Ombudsman