

The complaint

Mr T and Miss J complain that Lloyds Bank PLC gave them incorrect information about when they could change the interest rate they'd applied for. They say Lloyds has accepted it provided incorrect information but won't honour its mistake.

What happened

Mr T and Miss J have a residential mortgage with Lloyds, and their existing fixed interest rate deal was due to end on 31 January 2025. Because of this, they contacted Lloyds in November 2024 to start a product transfer.

Following a call with a Lloyds mortgage adviser on 21 November 2024, Mr T and Miss J applied for a two-year fixed rate at 4.75%. Lloyds Bank sent a product transfer offer to Mr T and Miss J on the same day, which set out the details.

Lloyds sent a completion letter to Mr T and Miss J on 3 January 2025. This said that the new rate would apply from 1 February 2025 and that the new contractual monthly payment from 10 February 2025 would be £1,482.50. The letter also set out what Mr T and Miss J should do if they wanted to cancel their product transfer. And that if they wished to do that, they must let Lloyds know within 28 calendar days of the date of the letter.

Mr T called Lloyds on 7 January 2025 to check if the interest rates were any better since their last conversation. He asked the agent if they had until the end of January to change the rate if there's a better one. Lloyds' agent said that Mr T and Miss J would be able to change their interest rate after it had been applied, up until around the end of February. However, at the time of this call, Lloyds were not offering a lower two-year fixed rate.

Mr T called Lloyds again later in January because they'd received a letter saying their monthly payments were going to change to around £2,500, but this was at odds with their product transfer. Lloyds' agent confirmed the new interest rate would start in February, with a monthly payment of around £1,482.

In a further call on 10 February 2025, Mr T asked Lloyds if a better fixed rate was available. The agent confirmed that Lloyds' two-year fixed rate had reduced to 4.51%. However, when Mr T asked if they could have this interest rate the agent said it wouldn't be possible. This was because Mr T and Miss J had 28 days from the date of their completion letter, sent on 3 January 2025, to cancel their product transfer. Mr T and Miss J felt this was unfair because of what they'd previously been told so they raised a complaint.

Lloyds partially upheld Mr T and Miss J's complaint. It agreed that it had given them incorrect information during the call on 7 January and during a call on 10 February, and it offered to pay them £250 recognise the distress and inconvenience caused. However, Lloyds said it had provided the correct cancellation period in the product transfer offer and completion letter. It also said that in the November 2024 call, its mortgage adviser told Mr T they'd have until 30 January 2025 to commit to the new rate. Ultimately, Lloyds said the lower two-year fixed rate didn't become available until 5 February 2025, so it's unable to agree to change the product – without Mr T and Miss J incurring an early repayment charge – as the cooling

off period had expired before then.

Mr T and Miss J didn't agree and asked the Financial Ombudsman Service to look into their complaint. Our Investigator didn't recommend their complaint should be upheld. She agreed that Lloyds had made an error by providing incorrect information to Mr T and that it had led to a loss of expectation. However, she felt Lloyds' offer to pay Mr T and Miss J £250 in compensation was a fair way to put things right. Mr T and Miss J didn't accept that and asked for an Ombudsman to review their complaint. So it's been passed to me to decide.

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.

It is not in dispute that Lloyds gave Mr T and Miss J incorrect information during two phone calls. On the first occasion Mr T was told they could change their interest rate product up until the end of February 2025. But the correct information – in line with the documentation Lloyds had sent to Mr T and Miss J – was that they had until 31 January 2025 to cancel their product switch. And, if they did that, it would then allow them to choose a different product. They would, however, no longer be able to apply for the interest rate product they'd cancelled the application for.

The second occasion was during the phone call where Mr T and Miss J raised their complaint. Lloyds' agent gave correct information about the product switch cancellation deadline, but they went on to suggest the possibility that the new lower interest rate would be honoured. That was also incorrect information.

Where something has gone wrong, as it did here, I must consider what should have happened. For Mr T and Miss J's case that means considering what is most likely to have happened if Lloyds had given the correct information about the cancellation deadline on all occasions. I'm persuaded that if Lloyds had done that, Mr T and Miss J would have still ended up proceeding with the two-year fixed rate of 4.75%. I'll explain why.

For Mr T and Miss J to have obtained the lower two-year fixed rate of 4.51% available from 5 February 2025, they would have needed to cancel their product switch by 31 January 2025. And they would have needed to do this at a time when the two-year fixed rate Lloyds was offering was still 4.75%, and where there was no guarantee of what would happen with interest rates going forward. Having listened to conversations between Mr T and Lloyds, I don't think it's likely he and Miss J would have taken that risk. It's clear that although they were hopeful interest rates might reduce, they were worried about the possibility of interest rates increasing. That is why they applied for a new interest rate in November 2024 to protect them from that possibility.

Another factor to consider is that if Mr T and Miss J had cancelled their product switch and applied for a new interest rate in February 2025, when a lower rate became available, it likely wouldn't have been applied until their March payment at the earliest. That's in line with how many lenders apply product switches and is supported by information about product switches on Lloyds' website¹ under the section "What happens when I proceed with an application".

This means that to obtain the lower rate of 4.51%, Mr T and Miss J would have needed to make at least one payment of around £2,500 at Lloyds' standard variable rate (SVR) – around £1,000 higher than the monthly payment on the fixed rate of 4.75%. I consider this

¹ See <https://www.lloydsbank.com/mortgages/existing-customers/switching-deals.html>

further supports my view that Mr T and Miss J would not have taken the risk of cancelling their product switch not knowing if they'd get a lower interest rate – if they'd been given the correct information. Even obtaining a lower interest rate may not have outweighed that additional cost and I'm not persuaded they would have chosen to pay out significantly more in the short term to only potentially make a saving in the longer term.

I appreciate Mr T and Miss J feel strongly about this complaint and I'm sorry to hear about the impact this matter has had on them. But I can't fairly require Lloyds to honour the lower interest rate – without Mr T and Miss J incurring the early repayment charge set out in the product transfer offer – because it isn't something I'm persuaded would have happened if the correct information had been provided. However, I consider that the loss of expectation has led to Mr T and Miss J experiencing distress and inconvenience that could have been avoided. I'm satisfied Lloyds' offer to pay them £250 compensation is a fair way to recognise that and is in line with our approach to compensation awards. I don't, therefore, require Lloyds to do anything further.

My final decision

My final decision is that Lloyds Bank PLC should pay Mr T and Miss J a total of £250 compensation if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Miss J to accept or reject my decision before 5 September 2025.

Keith Barnes
Ombudsman