DRN-5595199

The complaint

Mr M complains that Lloyds Bank PLC didn't warn him in advance that he would need to go through a full remortgage on three Buy To Let mortgages before he could choose a new interest rate for them. Mr M said this cost him money and time, and left him worse off.

What happened

Mr M had three Buy To Let ("BTL") mortgages with a lender which is now part of Lloyds. These were all on fixed interest rates which were due to end at the end of July 2024. Mr M said that he contacted Lloyds a number of times to ask about the available rates, starting in January 2024. But Mr M said he was never told that Lloyds wouldn't just let him switch rates.

When Mr M was ready to switch, towards the end of July 2024, he spoke to a mortgage advisor. Mr M said it was only then he was told he would have to go through a protracted and complex internal remortgage process, so his lending could be moved onto mortgages provided by Lloyds itself. That would take three or four months, and meanwhile his mortgages would fall onto Lloyds' Standard Variable Rate ("SVR") which was much higher.

Mr M said if he'd known that he would have to do a full remortgage for each of his mortgages, he would have gone to the market to secure a better rate from one of Lloyds' competitors. He said that Lloyds' offer of £350 in compensation wasn't enough for the time and stress. He wanted Lloyds to either match the rates of its competitors, or to reimburse him for his loss.

Lloyds said that it agreed something had gone wrong here, but it thought it had done enough to put things right. It said it thought it could have told Mr M earlier that he'd need to go through an internal remortgage to fix new rates on his mortgages, at the end of his existing deals. So it had paid him £350, and it had made significant adjustments to each of his mortgages, to put them in the position they would have been in if the new interest rates which are on the mortgages now had, and been applied from 1 August 2024.

Lloyds said that to reduce the impact that these remortgages had on Mr M, it had told him he didn't need to make the larger payments it was expecting once his old deals ended. But then it sent Mr M letters saying his credit file could be affected by paying less than the SVR.

When it responded to his complaint, Lloyds also reassured Mr M that it hadn't reported any missing payments on any of his mortgages, during the remortgaging process. And it said it had already covered the legal costs for Mr M of these remortgages.

Lloyds said it had made a commercial decision to move all the borrowers who had mortgages like Mr M's, previously taken out through a different lender, onto Lloyds' own mortgage products. That's why the internal remortgages were required. But it said it hadn't stopped Mr M from checking the whole of the market or remortgaging elsewhere. He was always free to do that.

Mr M contacted us again to tell us more about what had gone wrong. He said Lloyds had admitted it should have told him sooner about the process he'd need to go through to secure a new rate on his three mortgages. And he said he didn't know why the conveyancers Lloyds chose couldn't have allocated one handler to his three mortgages, instead of asking him to communicate with three different people. He said he needed to collect a lot of information to be able to remortgage – EPCs, tenancy agreements and safety certificates for each of the properties. Mr M said all this happened while he was trying to have family holidays, which ended up being interrupted by calls and emails about his remortgage arrangements.

Mr M said Lloyds had told him at the start he wouldn't be out of pocket, but no one seemed to know how he should manage an increase from monthly repayments totalling about £1,700 to around £5,500. Mr M said when he made his second complaint, he spoke to a complaints manager who assured him everything would be "made right", but she then ignored his calls and emails for the next 7 weeks. Mr M said he only knew the emails he sent were arriving because he got an out of office notification when the complaints manager was on holiday. Mr M said then he complained for a third time, and a new complaints manager did actually sort things out, so his remortgages were finalised in October.

Our investigator said he understood that things had gone wrong here, but he thought Lloyds had already done enough to put things right. He didn't think it was wrong for Lloyds to move customers onto its own mortgage rates. And he said he couldn't see that Mr M had a detailed discussion with Lloyds about his mortgages until July, so he didn't think Lloyds missed a chance to tell Mr M about the internal remortgage process on the calls he made earlier to ask about available mortgage rates.

Our investigator said he thought making sure Mr M's mortgages were in the same position as if his new interest rate had been applied on 1 August, paying £350 in compensation and making sure Mr M's credit file wasn't affected, had put Mr M, as far as is possible, in the position he would have been in, if the problem hadn't occurred. And he didn't think we could consider the points Mr M raised about the complaint handlers looking at his complaints.

Mr M didn't agree. He wanted an ombudsman to consider his complaint, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

> Firstly, Lloyds has accepted it should have made Mr M aware, before he came to it to switch mortgage rates, that it wouldn't let him just switch, he'd have to remortgage if he wanted to stay with Lloyds. I don't think it's unfair or unreasonable for Lloyds to say it wanted to move borrowers who were previously with a different lender, onto its own mortgage products. So I don't think it was unfair or unreasonable for Lloyds to ask Mr M to remortgage, in the way it did.
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> I do, however, think Lloyds should have told Mr M this, well before he came to switch his existing rates. Mr M had made a decision not to go to the market and look for new rates. In doing that, he was prioritising his own time, over the availability of a lower rate. If Mr M had been told some months or indeed years earlier, that his next rate switch for each of these three mortgages would involve a full remortgage, and he couldn't avoid the hassle of this by just staying with Lloyds, then in early 2024 Mr M could have chosen to shop around for a different mortgage rate.
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> But that doesn't mean I think Lloyds has to reduce Mr M's available mortgage rate now. If Mr M had been told earlier that he'd need to remortgage, then I think he would have done this in good time to get a new rate in place on his mortgages before the old rates

expired at the end of July. So he would probably have started to look elsewhere for new mortgages very early in 2024.

Mr M told us he started asking Lloyds about new rates in January 2024. Between January 2024 and March 2024, the latest I think Mr M may safely have left it to secure a remortgage, I think it would have been difficult for Mr M to secure a better deal with a different lender than he did secure on these mortgages, of 4.6% interest with no fee. Mr M could have waited longer to remortgage, but then he'd have run an ever-increasing risk of ending up on Lloyds' SVR for some time before this completed.

Mr M didn't end up picking a rate until late July, by which time mortgage rates had reduced a little. So I think if things had been different and Mr M had remortgaged elsewhere earlier, he would be unlikely to be on a better rate now. (Alternatively, he would have needed to pay Lloyds' SVR for some time before moving his borrowing elsewhere. And we know that in July 2024 Mr M chose not to do that.)

I note that Lloyds says it has put Mr M's mortgages in the position they would have been in, if his remortgage had started from August 2024. And it has paid £350, as well as making sure his credit file isn't damaged as a result of paying less than the SVR when that was due.

I don't think Lloyds has to make any further adjustments to Mr M's mortgages or to his credit file now. But I also don't think Lloyds has taken fully into account the impact on Mr M of these remortgages, and the difficulties he had with them.

Our investigator didn't think we could look into how Lloyds handled Mr M's complaints. But those complaints were made as part of trying to resolve the problems he still had with Lloyds, and before his remortgages were done. So I do think we're able to look at how they were handled.

There do seem to be some gaps in contact with Mr M, and the same problems seem to be visible on two of his three mortgages for quite some time. That does seem to me to support what Mr M has said to us about the complaint handler not responding and moving things forward for some weeks. I also note that Mr M had to deal with three separate sets of requests for information on his properties, and like him, I find it difficult to understand why Lloyds' lawyers didn't assign all three of his transactions to one agent. Finally, I note that all this happened over the summer period, when Mr M said he was trying to enjoy prearranged family holidays. I think this must have greatly affected Mr M's enjoyment of those events.

For those reasons, I think Lloyds should increase the compensation it pays in this case to £750 in total, so Lloyds should pay Mr M a further £400 now. I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Lloyds replied to say it agreed with my provisional decision. Mr M replied to disagree.

Mr M said he wanted me to consider that Lloyds accepted it should have told him about the specialist remortgage process in 2022, when it was dealing with a complaint Mr M made then.

Mr M's reply continued, saying if he'd known he would be subject to a remortgage process with Lloyds, he would have worked in advance, asking his broker to look at the market for deals. He said he could have achieved a rate as low as 2.76% interest at the time. So he said he didn't understand why I would say he wouldn't be substantially better off if he'd done that.

I wrote to Mr M in response, clarifying the provisional decision I had made. I'd agreed that Lloyds should have told Mr M earlier that he would need to do a full remortgage. And I thought if Lloyds had done that, then Mr M would have gone to the market to check rates, between January and March 2024. So it's the rates which were available to Mr M during this period (and only those rates) which I'd felt were relevant to my decision now. None of the industry information I'd read suggested Mr M could have secured rates anywhere close to 2.76% at this time. But I said if Mr M was able to show otherwise, then I would certainly consider that evidence before finalising my decision.

Mr M wrote again, and said something different. He no longer suggested he'd have chosen to remortgage elsewhere. Instead, he said if Lloyds had told him at the time of his previous product switch in 2022, that a future change to interest rates would need a full remortgage, then he would have decided to stay with Lloyds in 2022, but instead of choosing a two year deal in 2022, he'd have opted for a longer deal then, probably five years.

If Mr M had made that different choice in 2022, he said he would now still be on the lower rates available in 2022, rather than the higher rate he'd accepted on a fresh two year deal in 2024. Mr M said that in the late 2022 period interest rates were a lot lower, which he thought would explain why there was a considerable difference between the rate he believed they could have achieved and what I'd found to be available on his more recent remortgage in early 2024.

I think it may help to summarise briefly the complaints Mr M made in 2022. He spoke to Lloyds in early 2022 because he wanted to extend his borrowing. Lloyds refused because he had some missed payments in late 2019. Mr M said those shouldn't have been reported to credit reference agencies, but Lloyds didn't agree.

Mr M then complained that, whilst additional borrowing was refused, he wasn't told he could still take up new interest rates with Lloyds on his existing borrowing. Lloyds agreed with his complaint, and in September 2022 said it would backdate his rate to that available for its current account customers in May 2022. Mr M accepted a two year interest rate deal on his borrowing then.

Mr M now says if he'd been properly informed in 2022, so he knew about the need for a full remortgage when his next rates expired, he would either have remortgaged externally then, or have taken a five year deal with Lloyds at this time.

I understand that Lloyds actually recommended Mr M look externally for lending in 2022, and he didn't do that then, so it would be difficult for me to conclude now that the additional information about a future remortgage would have made all the difference there.

Mr M hasn't offered evidence to support his suggestion that he could have secured rates as low as 2.76% for five years with Lloyds in 2022. He was only able to secure the rather higher rate of 3.09% for two years because he took advantage of Lloyds' 0.2% discount for current account customers, and because Lloyds agreed to backdate his interest rate to those available when he first enquired.

I understand that Mr M firmly believes he could have done rather better than his existing rate, if Lloyds had advised him differently in early 2022. But aside from the comments I've made above, I do also have to bear in mind that Mr M has reached a view now on what he would have done some time ago, a point when the information he has now (like the length of time the country has been experiencing higher interest rates) was not available to him.

For all the above reasons, I haven't been able to see that it's more likely that Mr M would have taken a five year interest rate deal in September 2022, if he'd been warned that he would need to remortgage to change rates when he next wished to do so. And although I've considered what he's said, my decision otherwise remains unchanged. I'll now make the decision I originally proposed.

My final decision

My final decision is that Lloyds Bank Plc must pay Mr M £400 now, in addition to the payment of £350 it previously made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 July 2025.
Esther Absalom-Gough
Ombudsman