

The complaint

R, a limited company, complains that when it wanted to clear a secured loan, Lloyds Bank PLC provided a release which was not fit for purpose, then refused to sign a different release until R paid for Lloyds' lawyers to check it.

Mr L brings this complaint on behalf of R.

What happened

Mr L told us that he wanted to redeem a loan R had taken out with Lloyds. But he said the deed of release which Lloyds supplied wasn't acceptable, as it didn't release him from all liability, as it should. Mr L said he needed to get his solicitor to send Lloyds a standard deed of release. Lloyds accepted that, but charged him £300 to have its lawyers review the deed.

Mr L said that this review caused a delay, which cost R around £100. And he also said Lloyds was refusing to refund the legal costs it had charged to R. Mr L said his solicitor had agreed that Lloyds' deed of release was not fit for purpose, and he thought this had been done deliberately, so Lloyds could then charge a fee for agreeing to a different, standard deed of release. Mr L said Lloyds was only doing this as a way to make money, and that was outrageous.

Lloyds didn't agree. It said it had provided a deed of release, and if Mr L didn't want to sign it on behalf of R, but to offer something else instead, then it would have to ask its lawyers to check this. It also said this was something its lawyers would charge for, so it passed the fee on to R. It didn't think that was unfair or unreasonable, and it wouldn't give R its money back.

Our investigator didn't think this complaint should be upheld. She said R had only been charged because its lawyer had asked Lloyds to sign something different than Lloyds had provided. Lloyds gave a quote for the work involved, and R's lawyer then asked Lloyds to go ahead with the cheaper of the two options. Our investigator didn't think it was unreasonable for Lloyds to seek legal guidance from its solicitors before accepting the amendments. And Lloyds made it clear from the outset that instructing its solicitors would incur legal costs.

Mr L didn't agree. He said he'd only paid the fee under duress. He said his solicitor told him Lloyds' version of the deed was insufficient as it didn't release R from any obligation to Lloyds. He drew our attention to the second clause, which meant R could still be liable for obligations secured by other properties, despite the release. He said that undermined the purpose of the deed and created uncertainty about R's continuing obligations.

So Mr L said the deed had to be changed, and Lloyds would only do that if R paid £300. He still thought R should get this money back.

Because no agreement was reached, this case came 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 didn't propose to uphold it. This is what I said then:

I understand that Mr L was asked to close R's accounts with Lloyds. He didn't need to also pay off the secured loan, but he chose to do so. In order to refinance that lending elsewhere, R would need to be able to show that Lloyds no longer held a charge over R's property. So Mr L's solicitor asked Lloyds to provide a deed of release.

The release supplied by Lloyds said this –

NOW THIS DEED WITNESSES as follows:

1 In pursuance of the said agreement the Bank hereby releases ALL AND SINGULAR the Released Assets TO HOLD the same unto the Mortgagor freed and discharged from the Security and all monies and liabilities claims and demands thereunder.

2 This release shall not discharge the Mortgagor from any liability to the Bank remaining to be paid or any other security held by the Bank.

Mr L said this deed didn't release R from any other obligations secured on different properties. So I asked Lloyds about this.

Lloyds' lawyers replied, to say there's nothing in the deed of release which would make it inappropriate for use in a situation where the borrower (here, R) didn't have any remaining liabilities to the Bank. The deed releases security over the charged asset, and releases all monies and liabilities, claims and demands under that charge.

It doesn't release R from any obligations secured by other properties, if R had such other charged properties. But that isn't the same as saying it doesn't do its job.

Mr L said the problem with the deed was that R's other property wasn't released from any other charges. But Mr L hasn't suggested that there were other properties which Lloyds held a charge over, and which Lloyds needed to cover in this release.

Our service isn't an expert on deeds of release. We provide an informal dispute resolution service, and if Mr L wants a legal judgment on whether Lloyds' original deed was, as he's suggested, not fit for purpose, then only a court could provide that for him. But, working within the boundaries of what's appropriate for our service, I haven't been able to see that the original deed didn't do what seems to me to have been needed here, which is to make sure that Lloyds no longer held a charge over the property R had used to secure its debt.

If Mr L wanted Lloyds instead to sign to say that R didn't owe it anything at all, then I don't think it was unreasonable for Lloyds to say it would like its lawyers to check over what Mr L was asking it to sign, and to ask R to pay for the legal work involved in that. Lloyds has told us that it didn't take any of this money, the charge of £300 was solely in respect of fees to its lawyers. So I don't think Lloyds is providing a deed in this form to make money out of Mr L, as he suggested.

I know Mr L, on behalf of R, will be disappointed, but I don't think this complaint should be upheld.

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 agreed with my provisional decision.

Mr L, on behalf of R, did not agree. He said he wanted to correct a key factual error. He said I was working on the basis that there were no other properties Lloyds held a charge over. But Mr L said Lloyds held security over several properties. The property being released was only one of them.

Mr L said the inclusion of Clause 2 in the deed caused ambiguity and failed to confirm that the redemption satisfied all obligations in respect of the released property. He thought that created a real legal risk and justified his solicitor's concern. Mr L said it wasn't appropriate for Lloyds to have supplied a standard-form deed which was inadequate in a multi-security context. So he didn't think he should have to pay the costs of Lloyds correcting this.

Mr L said he was preparing to take legal action if his complaint wasn't upheld. But he said he'd prefer to deal with things through our service. He wanted me to tell Lloyds to repay the £300 legal fee he had been charged, alongside a modest award of around £100 to £150 to reflect the inconvenience, wasted time, and entirely avoidable administrative burden caused by Lloyds' handling of this matter.

I've explained that our service isn't an expert on deeds of release. But the deed that Lloyds has showed us, seems to me to release R from the security it charged to Lloyds, on a particular date. So if there were other properties, used to provide security for borrowing at other times and subject to a different charge, then the charge may not have been released from those. But I haven't been able to see evidence of any other properties which were owned by R, and over which Lloyds held a charge.

Mr L said there were other properties, and described this as a "*multi-security context*". But Lloyds had only told us about one charge. So I wrote to Lloyds to ask it if R did have other properties which were the subject of a charge when the deed of release was drafted, in October 2024. Lloyds said it wasn't aware of any such. That means I'm not able to work on the basis that this deed was defective because it only removed one charge.

As I noted in my provisional decision, my understanding here is that this deed was likely to have been prepared so that Mr L could, on behalf of R, remortgage this property. And it appears to me the deed Lloyds prepared, would have allowed that. If Mr L wanted this deed of release to do more than this, and confirm that R had no further liability to Lloyds at all, then I still don't think it was unreasonable for Lloyds to say Mr L's preferred wording would need to be considered by its lawyers, and for Lloyds to ask R to cover the fee for that.

I understand that Mr L, on behalf of R, will be disappointed, but I still don't think this complaint should be upheld. I'll now make the decision I originally proposed.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 15 September 2025.

Esther Absalom-Gough
Ombudsman