

The complaint

Mr E complains that Lloyds Bank PLC didn't treat him fairly when he was in difficult financial and personal circumstances. He would like the solicitors costs he incurred reimbursed.

What happened

Mr E took out an interest-only mortgage with Lloyds in 2016. The capital was due to be repaid in 2021. Mr E let Lloyds know his business had fallen into difficulties during the Covid pandemic and his repayment plan was no longer viable. Given the circumstances, Lloyds agreed to several holds on the account until late 2023. Around this time, Lloyds received notification that a court application had been made that affected the property and mortgage. Mr E continued to maintain his interest-only payments, but with increasing interest rates he told Lloyds he thought he may struggle in future. Mr E applied to extend the mortgage term, but Lloyds declined this due to affordability reasons.

Lloyds started litigation proceedings in late 2023 as a way forward hadn't been found. In early 2024, Mr E told Lloyds that he would be able to sell the property and repay the mortgage debt once his divorce had finalised in April 2024, but that he was unable to do so before the court hearing set for this. He told Lloyds he was struggling with both his physical and mental health.

The property was put up for sale following Mr E's divorce court hearing in April 2024. Several court dates relating to Lloyds legal action were adjourned and the latest court date for repossession was set for late 2024. Mr E repaid a large portion of the mortgage debt around this time using a personal loan from a family member, and legal action was put on hold by Lloyds. The remaining debt relating to legal costs was repaid and the mortgage redeemed in early 2025.

Mr E complained to Lloyds. He said his hands had been tied with regards to selling the property sooner as there was a court order not to sell the property until after the divorce hearing. Mr E felt Lloyds hadn't shown him compassion or offered him options during this time. Lloyds originally didn't uphold Mr E's complaint. But when Mr E referred the complaint to our Service, Lloyds made an offer to resolve it.

It offered to refund its own solicitors fees and the associated interest that was charged to Mr E's account, along with 8% interest to cover the period Mr E was without these funds. Lloyds also offered £750 compensation for the distress and inconvenience Mr E had been caused.

One of our Investigators considered Lloyds' offer and thought it was fair. Mr E didn't agree. He wanted Lloyds to reimburse him for the solicitors costs he'd personally incurred in defending Lloyds' litigation proceedings. Mr E asked for the complaint to be considered by an Ombudsman, so it has 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's clear Mr E has been through some very difficult personal circumstances and I'm sorry to learn of the impact this has had on him. I hope these circumstances continue to improve in the future.

As a starting point, Mr E's mortgage term ended in 2021, and the full amount owed was due to be repaid to Lloyds then. Mr E experienced financial difficulties and Lloyds agreed several holds on the account over a period of years to allow time for Mr E's situation to improve – which was fair and reasonable in the circumstances.

During this time, Lloyds received notification from a family court that said an application had been made which affected the occupation of Mr E's property and payment of the mortgage. It wasn't clear from this notification how the property or mortgage was impacted.

I can't see any evidence to show Lloyds enquired about this with Mr E at this time. And I think it should have. But I also haven't seen any evidence to show Mr E raised this with Lloyds at this time or made it aware there may be restrictions on when he could sell the property. I've not seen that Mr E told Lloyds, or provided it evidence, that a court had ordered he not sell the property.

Mr E was engaging with Lloyds to apply to extend the mortgage term around this time, but when this was unsuccessful Lloyds engaged solicitors a few months later as a way forward hadn't been found, and Mr E's mortgage had expired some time ago.

Given what we now know of the situation, it seems Mr E could have explained that there was a court order not to sell the property until the hearing in April 2024. And this should have impacted Lloyds' decision to start litigation proceedings to repossess the property before this point. But Lloyds wasn't in full possession of all the facts, so couldn't take this into consideration. I think had Lloyds asked about the notification from the family court earlier then it's likely this information would have come to light, and solicitors would not have been engaged while Mr E was ordered not to sell the property. However, Mr E could've also made this clear to Lloyds.

With the information it had at the time, Lloyds didn't know there was a restriction on Mr E selling the property, and from the contact history I've reviewed Mr E didn't offer this information until a few months after solicitors had been engaged. The mortgage was over two and a half years past when it was due to be repaid, so in these circumstances it was understandable for Lloyds to consider other options to have the debt repaid.

Lloyds has now accepted with the benefit of hindsight there were alternative ways to handle this situation which wouldn't have required the instruction of solicitors. And I agree with that. I think it should have made further enquiries about the court notification when it was received, and it wouldn't have instructed solicitors when it did. But as I've said Mr E also could have done more to make Lloyds aware of this earlier.

So, considering all the above, I think Lloyds' offer to refund its solicitors' costs and associated interest charge to Mr E's account is a fair and reasonable one.

The outstanding issue here is whether this compensation goes far enough. Mr E engaged a solicitor to provide legal services in respect of the dispute with Lloyds and its possession claim. Mr E has provided us with invoices from the solicitor covering a period from August 2024 to January 2025. Mr E would like to recover the costs incurred due to instructing the solicitor.

I've given a lot of thought as to whether Lloyds should fairly be responsible for Mr E's costs in instructing a solicitor. I know this will be disappointing for Mr E, but I can't agree that it's fair for Lloyds to pay these costs.

I understand Mr E's property was put on the market following the divorce hearing. Mr E has shared that he has had difficulty selling the property and ultimately, he took a loan from a family member to redeem the mortgage. I don't know if the property has since been sold.

I've explained that Lloyds likely wouldn't – and shouldn't – have instructed solicitors had it known there were restrictions on Mr E selling the property. But the court order following the divorce proceedings in April 2024 decided the property should be sold. And from the information I've been provided, it's clear Mr E had trouble selling the property. I'd expect Lloyds to allow Mr E a reasonable amount of time to sell the property, and repossession should always be a last resort. But given the amount of time the mortgage balance had been outstanding, and that it seems Mr E wouldn't have been able to redeem the mortgage through selling the property, I think it's likely Lloyds would have eventually needed to pursue the issue through litigation regardless. The possession hearing was set over seven months after the court order to sell the property. I don't think it's unreasonable to consider a date may still have been set around this time in the circumstances.

Mr E made the decision to engage solicitors in response to Lloyds' litigation proceedings and to incur the costs that are associated with this. And I think he would have still made this decision had Lloyds started litigation proceedings at a later date than it did.

I appreciate Mr E took a personal loan through family and the full mortgage was redeemed in early 2025. I've thought carefully about whether he would have done this sooner to prevent litigation proceedings if they had started after his divorce proceedings. But on the balance of probabilities, I don't think he would have. Mr E was able to take this loan at the time that he did due to the family member selling a property, so I don't think these funds would have been available to him any sooner than they were. And given that the loan was taken at the time of the possession hearing in order to prevent it being granted, I think it's unlikely Mr E would have considered taking the loan unless the hearing was imminent.

In my view, I can't fairly ask Lloyds to pay these solicitors' costs as I think it's likely Mr E would have incurred them even if Lloyds had not engaged solicitors at the point it did. It was Mr E's decision to engage solicitors to represent him and therefore he is responsible for these costs. It's also clear a portion of the solicitor's work was in communicating with another party about the mortgage. It wouldn't be fair to ask Lloyds to pay for costs associated with communication with another party not joined to the mortgage. Given all this, and what I've said about Lloyds being unable to act differently without possession of all the facts – which was both Mr E's and Lloyds' responsibility – I don't think it's fair to ask Lloyds to pay for Mr E's solicitor's costs as well as waive its own.

I recognise this will be very frustrating for Mr E and I am sorry to disappoint him. But for the reasons I've said, I don't think it is fair to ask Lloyds to pay the solicitors' costs incurred by Mr E in these circumstances.

I do agree with Mr E about the broader failings of Lloyds by engaging solicitors when it did and the unnecessary costs and distress this caused Mr E in an already difficult time. Like our Investigator, I believe that refunding Lloyds' solicitors' costs and associated interest charged to Mr E's account, along with 8% interest and £750 for the distress and inconvenience caused to Mr E represents a fair way to put things right. But for the reasons I've set out, I don't consider that I can fairly ask Lloyds to also pay Mr E's legal costs.

My final decision

I uphold this complaint and require Lloyds Bank PLC to pay Mr E £750 directly. It should refund its solicitor's costs and the associated interest charged to Mr E's account, along with 8% interest from the time Mr E paid these costs up until the payment is made to Mr E. If Lloyds has already made some or all of this payment to Mr E, it can deduct the amount paid from the total amount due.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 November 2025.

A handwritten signature in black ink, appearing to read 'E. Taskas', with a stylized flourish at the end.

Emma Taskas
Ombudsman