

The complaint

This complaint is about a mortgage that Mrs C and Mr C hold with Lloyds Bank PLC. The complaint relates primarily to how Lloyds dealt with Mrs C and Mr C's request for help in a period of financial difficulties during 2024 and 2025. Mrs C and Mr C are no longer together; both have joined the complaint, but all of our dealings on it have been with Mr C. Where I refer to Mr C in the following narrative, it should be taken as referring to him and Mrs C collectively.

What happened

The basic background to this complaint is well known to both parties so I won't repeat the details here. Our decisions are published, and it's important that I don't include any information that might result in Mrs C and Mr C being identified.

Instead, I'll give a brief summary of the key elements of the complaint, and then focus on my conclusions and the reasons for them. No discourtesy's intended by that. It's a reflection of the informal service we provide, and if I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me.

It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

There are six broad strands to the complaint, which I summarise below, in my own words:

- When Lloyds agreed a three-month sale-of-property (SOP) arrangement in September 2024, it failed to explain clearly that payments were still due and should be made if possible.
- There was an absence of co-ordination between departments; one was offering a payment hold whilst another was pursuing arrears.
- Mr C found the arrears letters issued during the SOP arrangement to be threatening.
- Lloyds failed to action Mr C's request for reinstatement of the direct debit mandate when the SOP arrangement ended.
- Delays on Lloyds' part meant a new fixed rate took effect in April instead of March 2025.
- Mr C believed the arrears would be incorporated into the new fixed rate, but this didn't happen.

Our Investigator wasn't persuaded Lloyds had acted unfairly and so didn't recommend the complaint be upheld. Mr C asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

That includes listening to recordings of phone conversations between Mr C and Lloyds in September 2024 and January 2025.

Having done so, I'm not persuaded Lloyds has acted unfairly. I'll explain why, using the same subject headings I used in the preceding section.

When Lloyds agreed a three-month sale-of-property (SOP) arrangement in September 2024, it failed to explain clearly that payments were still due and should be made if possible.

I'm not persuaded Lloyds did anything wrong here. During the September 2024 phone call in which an income and expenditure analysis established the contractual monthly payment (CMP) wasn't affordable, Lloyds cancelled the direct debit mandate with Mr C's knowledge and consent. It also told Mr C several times during the same conversation that he should pay what he could, when he could. Meanwhile, the SOP letter of 16 October 2024 set out full details of how payment could be made in the absence of a direct debit mandate.

There was an absence of co-ordination between departments; one was offering a payment hold whilst another was pursuing arrears.

There was no payment hold on offer. During the September 2024 call agreeing to the SOP arrangement, Lloyds explained that payments were still due and, as I've said already, recommended Mr C pay what he could when he could. Mr C is heard to acknowledge this recommendation and the call handler then read out the same details of how to make payments that were confirmed in writing in the letter of 16 October 2024.

At the conclusion of the call, the call handler reiterated the importance of making payments when possible, as it would limit credit file detriment and erosion of equity. Still on the subject of credit file reporting, the call handler had already explained to Mr C earlier in the call that some detriment was inevitable whichever course of action was taken to deal with the financial hardship he was facing.

During the January 2025 call, when asked if he could pay anything at all, Mr C replied saying the full amount would 'cripple' him, but he could pay something.

Mr C found the arrears letters issued during the SOP arrangement to be threatening.

I don't imagine for one moment that receiving arrears letters was anything less than an unpleasant experience; especially the final warning letter issued in January 2025 after the SOP arrangement had ended. I can also see why Mr C would be irked if a staff member suggested letters shouldn't have been sent. However, for the reasons explained above, the letters were justified, and necessary. Lloyds has a regulatory obligation to keep borrowers informed of the impact of non-payment. The letters met that obligation. Also, towards the end of the September 2024 call, the handler tells Mr C that certain regulatory letters would still be sent out.

Lloyds failed to action Mr C's request for reinstatement of the direct debit mandate when the SOP arrangement ended.

Everything has a context, and the context here is that, between 2 September 2024 (when the last direct debit payment was made before the mandate was cancelled) and 5 May 2025 (when a card payment was made) no payments were received into the mortgage. I wouldn't expect a lender to reinstate a direct debit mandate unless and until a borrower has demonstrated to the lender's satisfaction that they can once more afford to meet the CMP.

Having read the contemporaneous notes, and listened to the available call recordings, I'm satisfied Mr C was informed during the January 2025 call that his express authority was needed for Lloyds to reinstate the direct debit mandate.

Also during the January 2025 call, Lloyds carried out a new income and expenditure analysis with Mr C. Taking that into account, it could well be that by the time Lloyds agreed a new fixed rate deal on 17 February 2025 (which I'll address in the next section) it was because by then, Mr C had persuaded it that payments would be affordable again. So, there is arguably a case for saying Lloyds could have reinstated the direct debit mandate to take effect from March 2025, always assuming it had Mr C's express authority. I've not found where Mr C specifically gave that, but if he did, I couldn't fairly and reasonably say that Lloyds not acting on it, if that's what happened, either caused or worsened the arrears situation.

Mr C had been aware since September 2024 that he should make payments when and if he could, and was also aware of how to do so without a direct debit mandate in place. He did indeed make a manual payment, by card, in May 2025. It's reasonable to conclude that if Mr C had funds available to make manual payments, either fully or partly, before May 2025, he'd have done so.

Delays on Lloyds' part meant a new fixed rate took effect in April instead of March 2025.

During the January 2025 phone call, Mr C told Lloyds the mortgaged property was still on the market but the initial marketing agreement with the selling agent was coming to an end. The call handler spent some time in the conversation talking about the bank's assisted voluntary sale service. However, it seems that by mid-February 2025, Mr C had decided not to continue trying to sell, but seek a new interest rate deal for the mortgage.

As stated above, the new rate was agreed by phone on 17 February 2025; the relevant paperwork was issued by post, Mr C's preferred medium. For the new fixed rate to take effect in March 2025; the signed agreement needed to be returned to Lloyds by 24 February 2025. Lloyds received the signed agreement back after that deadline but still was able to put the new fixed rate in place for March 2025. So there was no delay, and no detriment to Mr C. Lloyds admittedly confused the position slightly by saying in its final response that the rate took effect on 1 April 2025. But it had already written on 28 February 2025 to confirm the started date of March 2025. All things considered, there's no finding for me to make here.

Mr C believed the arrears would be incorporated into the new fixed rate, but this didn't happen.

Lloyds says Mr C was told on the phone that separate arrangement would be needed for the arrears. If that was during the 17 February 2025 call in which the fixed rate was agreed, no recording of that call has been submitted. However, I don't need to hear that conversation to

reach a conclusion on the point. That's because the illustration for the new fixed rate issued after that call included the following narrative.

“Before this Product Transfer starts, Lloyds Bank will work out a new monthly payment that will not include your arrears. You will need to make arrangement to pay these arrears separately.”

The completion letter for the new fixed rate included the following narrative.

“Your monthly payments

Your new contractual payment from 2nd March 2025 is £1,146.84.

If we set up an arrangement to repay your arrears when you applied for your product transfer, we'll have written to you separately. The new monthly payments in this letter don't include that arrangement. Please read the letter about your arrangement for how much we've agreed you'll pay.”

At this stage, a payment arrangement for the arrears hadn't been reached. That happened later and it was confirmed in writing that payments of £1,350 would be made going forward. The first such payment was the card payment on 7 May 2025. Overall, the available evidence doesn't point to Mr C's belief that the new CMP under the fixed rate product transfer included payment of the arrears came from anything Lloyds said.

My final decision

My final decision is that I don't uphold this complaint, or make any order or award against Lloyds Bank PLC.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 10 February 2026.

Jeff Parrington
Ombudsman