

## The complaint

This complaint is about an interest-only buy-to-let (BTL) mortgage that Mr A took out in 2007 with a lender I'll call C, now part of Lloyds Bank PLC. There are several strands to the complaint, but at its core, the essence of the complaint is Mr A is unhappy that Lloyds hasn't changed the mortgage to a residential basis (which would mean it becoming regulated) or agreed to switch the mortgage from interest-only to capital repayment, to allow him to pay down the outstanding balance.

## What happened

The following summary is in my own words. The broad circumstances of this complaint are known to the parties. I'm also aware that the investigator issued a response to the complaint, a copy of which has been sent to both parties, and so I don't need to repeat all of the details here. Our decisions are published, and it's very important that I don't include any information that might result in Mr A being identified.

The mortgage started in 2007; it replaced a residential mortgage Mr A held with a lender I'll call N, on a property he already owned and lived in. Mr A's intention had been to buy a new home to live in, while keeping the existing property for letting out; hence the re-mortgage on a BTL basis. However, the new purchase fell through and Mr A has continued to live in the original property with his family.

During the intervening years, Mr A has periodically been in arrears on the mortgage. He's also struggled with serious and chronic health problems. I won't reveal the details here, out of respect for Mr A's privacy. But I've noted all of the evidence he's sent us about his health generally and the accident he suffered.

In 2018, Mr A complained to Lloyds about the mortgage remaining as a BTL instead of residential; Lloyds rejected the complaint and referred Mr A to our service. However, in 2019, a fellow ombudsman found the case to be out of our jurisdiction on the grounds that Mr A had waited too long under our rules to start the complaint. Other elements of the same complaint that weren't time-barred, to do with how Lloyds interacted with Mr A over the arrears from time to time - including sending field agents to the mortgage property - were looked at but the reviewing ombudsman didn't find in Mr A's favour.

Mr A made other complaints to Lloyds between 2020 and 2022, including that it wouldn't change the mortgage from BTL to residential. In each case, Lloyds issued a final response giving Mr A referral rights to this service, but he didn't contact us within the six-month time limit provided.

At the start of 2022, Lloyds capitalised around £12,500 of arrears that had accrued over the years. It also agreed to re-mortgage Mr A onto a regulated residential mortgage, and an offer was issued. However, the transaction stalled when the conveyancing solicitors discovered that Mr A's previous lender, N, had registered charging orders against his property for outstanding debts from 2007. To get round this Lloyds proposed that N's charges be postponed in favour of the new residential mortgage, but N didn't consent to this, preventing

the re-mortgage from proceeding. Instead, Lloyds agreed to place the mortgage onto a residential interest rate; a five-year fixed rate of 1.96% running until 2027.

In court proceedings brought in early 2025, Mr A was successful in having N's charging orders removed from his property title. When he informed Lloyds of this, it reminded him that he was on the fixed rate product until 2027, but said it would be able to consider a fresh application to re-mortgage on a residential basis once that ended. A further proviso for an application being considered was that fresh arrears, which had accrued since 2022, would need to be brought up to date.

Mr A wasn't happy and made a fresh complaint; the one before me now. Whilst the complaint has been with us for consideration, a further capitalisation of arrears has taken place, in August 2025.

The current case is with me now because our Investigator didn't recommend the complaint be upheld. At the same time as asking for his complaint to be reviewed by an ombudsman, Mr A has raised a further point. He says despite him asking several times down the years, Lloyds has never provided written consent for him and his family to occupy the mortgaged property, despite it being subject to a BTL mortgage. The Investigator explained that would need to be a separate complaint.

### **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.

That includes Mr A's most recent submission, dated 11 November 2025.

I'll start by clarifying that my decision here will deal with the complaint Mr A began with us in May 2025. I won't be revisiting the complaint from 2019 that was dealt with by ombudsman colleagues.

Nor will I be addressing the point he has raised more recently about Lloyds not providing written consent to the property being used for residential purposes whilst subject to a BTL mortgage. We don't investigate new issues 'on the fly' so to speak. Otherwise, we face the risk of a complaint becoming a moving target that never be resolved. The Investigator has explained to Mr A what he needs to provide for a new complaint to proceed.

I would make just one observation on the topic, largely for completeness and to allay any fears Mr A may have. Whilst it may be outside the strict terms of the mortgage contract, having a BTL mortgage secured on your main residence is not illegal, as he appears to believe.

Mr A says we've ignored his evidence in favour of Lloyds'. Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

It's for us, rather than the parties to the dispute, to decide what evidence we need to reach a fair outcome. It's also for us to assess the reliability of evidence, from both sides, and decide how much weight should be attached to it. When doing that, we don't just consider individual pieces of evidence in isolation. We consider everything together to form a broader opinion on the whole picture.

In the jurisdiction decision in 2019, my fellow ombudsman concluded Mr A knew from the outset that the mortgage was BTL, but didn't complain before 2019. Meanwhile, Mr A didn't ask for a residential mortgage, or complain when it was refused, until 2020, and then in 2022.

In both cases, Lloyds issued final responses giving Mr A six months to refer the complaints to us, which he didn't do. That precludes me from considering the continuing BTL status of the mortgage prior to 2022. What Lloyds did say was that the arrears would need to be cleared as a pre-condition of considering a residential application. The arrears weren't cleared, at least not in the sense of being brought up to date. Rather, Mr A maintained his payments for long enough for Lloyds to agree to capitalise the arrears early in 2022. Having done that, Lloyds accepted and approved an application for a residential mortgage.

That the residential re-mortgage didn't complete was not down to any act or omission on Lloyds' part. That was solely down to the barrier created by the charging orders and N's unwillingness to postpone them in favour of the proposed new mortgage. Even then, Lloyds sought to mitigate Mr A's position by providing him a residential fixed interest rate product.

That rate is still in place, and will be until the end of May 2027. Once it runs out, Lloyds has said it will consider a fresh application for a residential re-mortgage, now that the charging orders have been removed. Doing so before then would not be in Mr A's interests, as it would expose him to paying an early repayment charge on redemption of the BTL mortgage, in accordance with the terms of the fixed rate.

There is another point to cover. Embedded in Mr A's complaint that he's been blocked from changing from BTL to residential is also that he hasn't been switched from interest-only to repayment. I understand why Mr A feels frustration at not having a mortgage that requires the balance to reduce rather than remain static. By the same token, however, he has struggled with arrears for most of the life of the mortgage.

If affordability has been an issue for him when the mortgage was interest-only, trying to keep up with the higher payments required on a repayment mortgage would only have made that struggle much harder than it has already been. For Lloyds to have subjected Mr A to that greater struggle would not have been fair.

If Mr A wasn't in a position consistently to afford the interest-only payments, then it's hard to conclude that he's been denied the opportunity to reduce his mortgage balance by making the additional capital payments that a repayment mortgage would have required of him.

Overall, I'm not persuaded the relationship between Mr A and Lloyds due to the mortgage being BTL was unfair. But even if it was, then it seems to me that Lloyds' efforts to help Mr A would have ended any unfairness that might have existed. Putting all of the above together, I can't find that the relationship between Mr A and Lloyds was previously, or is currently, unfair.

### **My final decision**

My final decision is that I do not 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 Mr A to accept or reject my decision before 2 March 2026.

Jeff Parrington  
**Ombudsman**