

The complaint

Mr R complains that Lloyds Bank PLC treated him unfairly after the term of his interest only mortgage expired with an unpaid balance. Mr R would like Lloyds to give him more time to sell the property or remortgage.

A family member, who I'll refer to as Mrs R, has helped Mr R with his complaint.

What happened

Mr R took out a mortgage in 2006 on a part repayment and part interest only basis. The term expired in mid-2021 with an unpaid balance. Mr R says this coincided with him becoming unwell, and with the Covid-19 pandemic. He says since then the property market in his area has been slow. He doesn't want to have to sell his property for less than it's worth.

Mrs R says Mr R has been seriously unwell. His condition makes it difficult for him to talk to Lloyds on the phone, and means he finds letters from Lloyds about possible legal action upsetting and stressful. Mrs R says it was unfair for Lloyds to send a field agent to visit the property, issue a final warning letter and instruct solicitors when Mr R had an unresolved complaint. Mrs R says Lloyds should offer a grace period to give Mr R time to sell the property.

Mr R says Lloyds has treated him unfairly since the term of his mortgage expired. He says he's recovering and hoping to get back into work so that he can take out a repayment mortgage and avoid having to sell the property. He asks that Lloyds offers a term extension.

We told Mr R that we can't look into all of his complaints. That's because some of his complaints were brought to us more than six months after Lloyds issued a final response. This meant they were brought to us outside our time limits.

Our investigator said, in summary, he couldn't fairly require Lloyds to extend the term of the mortgage. He said Lloyds had shown appropriate forbearance since the mortgage expired in 2021 and offered ways to communicate without Mr R having to call it. Mr R didn't agree.

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.

We offer an informal dispute resolution service. I don't have to answer each point raised by the parties, or refer to each piece of correspondence. What I must do is explain my reasons for reaching my decision about what's fair and reasonable in the circumstances.

Mr R and Mrs R raised a number of issues. But, at its heart, the issue here is whether Lloyds should extend the term of Mr R's mortgage, to allow him time to remortgage or for the property market to improve. Mr R says he's made progress with his recovery and is actively seeking employment. Mr R doesn't want to sell the property as he says the market is poor and he'd have to sell the property for less than he believes it's worth.

I understand the points made by Mr R, and that he wants to find a solution so that he doesn't have to sell the property. I must be clear that this service is impartial and I have to be fair to both parties.

Rules on mortgage regulation require lenders to carry out affordability checks before agreeing to offer or vary a mortgage. For an interest only mortgage that includes checking that the borrower has a credible strategy to repay the mortgage. Extending the term is a variation of the mortgage contract, so Lloyds would need to check that this is affordable for Mr R. There are limited exceptions which can allow a lender to extend the term despite concerns about affordability if this is in the best interests of the borrower.

Lloyds says Mr R hasn't provided the information it needs to consider what options might be available to Mr R. I haven't seen evidence that Mr R provided the information Lloyds would need to consider whether a term extension is affordable, or whether it would be in Mr R's best interests. I can't fairly find that Lloyds should offer a term extension without this.

Mr R says he's looking for work. He isn't yet in employment, which might make it difficult for him to remortgage. Mr R hasn't told us whether he's spoken to a broker about his options, or the outcome of any discussions with brokers or other lenders. There's no clear timescale for when Mr R might be in a position to remortgage.

Mrs R told Lloyds the property would be sold. She said estate agents were appointed in early 2025. Lloyds says it hasn't received evidence of this. It said it hadn't received a clear proposal or any indication of the expected timescales for the sale of the property. As a result, it can't offer a grace period to allow a sale to complete. Lloyds said it would review any concrete repayment proposals or plans and respond appropriately. I think that's fair.

The mortgage term expired in mid-2021. Mr R has had four years to arrange for the mortgage to be repaid, or provide evidence that he's taking steps to arrange this. I appreciate that Mr R's circumstances have been difficult. But I can't fairly require Lloyds to hold action indefinitely when Mr R hasn't provided evidence of a credible plan to repay the mortgage within a reasonable period.

Lloyds expected Mr R to contact its end of term team by telephone when it knew he found this difficult due to his condition

Mr R prefers written communication and finds it difficult to discuss his account with Lloyds by phone.

Lloyds says it will consider written proposals. It says while Mr R and Mrs R wrote to it a number of times, they didn't provide a clear proposal to repay the mortgage within a reasonable timescale or the information Lloyds needs to consider what options might be available to Mr R.

Lloyds says at this point its end of term team need a telephone conversation to understand Mr R's circumstances and identify appropriate support. It says this conversation can be with one of Mr R's representatives. I think, given that the parties have not been able to find a solution, that's fair.

Mr R says he's vulnerable. Lloyds said Mr R didn't provide details of his condition or the consent it needs in order to consider tailored additional support. I might find it fair to require Lloyds to transfer Mr R to its vulnerable team if I thought this was likely to result in him engaging with Lloyds to reach a solution. Based on the available evidence, I don't think that's the case. Lloyds said while Mr R's account was with its vulnerable team for a period, they weren't able to make contact with Mr R.

Mrs R said Lloyds didn't acknowledge receiving letters of authority, for her and another family member to represent Mr R. I can't fairly agree with that. For instance Lloyds confirmed to Mrs R when it spoke to her in mid-November 2024 that she could deal with matters on Mr R's behalf. Lloyds notes say it wrote to Mr R in October 2024 asking him to get in contact and saying that the family members he'd authorised could contact it on his behalf.

Mr R found letters from Lloyds upsetting

I think it's fair for Lloyds to keep Mr R updated about his account, to try to make contact with him about his plans to repay the mortgage and to make him aware of the action it might take if the mortgage is not repaid. I understand that receiving these letters is upsetting. But I think that's because of the situation, rather than due to an error by Lloyds.

Lloyds instructed a field agent to visit the property in April 2025, issued a final warning letter in May 2025 and instructed solicitors

Taking possession is a last resort for lenders. Lloyds didn't have the information it needed about Mr R's circumstances to consider what options might be available to avoid possession action. Mr R (or Mrs R) hadn't contacted Lloyds since mid-November 2024. When Mrs R spoke to Lloyds in late 2024 she didn't provide income and expenditure information, saying Mr R was out of work and there was no affordability.

From what Mrs R has said, they expected Lloyds to hold action while the complaint she raised on behalf of Mr R in late 2024 was resolved. Lloyds had sent a final response to the complaint in January 2025. If this wasn't received, and that was the reason Mr R and Mrs R hadn't been in contact, Lloyds couldn't have known that.

In the circumstances, I think it was fair for Lloyds to instruct a field agent to visit the property, to try to make contact with Mr R.

The field agent was unable to speak to Mr R. Lloyds wrote to Mr R at the end of April 2025 asking him to get in contact, without a response. In early May 2025 Lloyds sent a final warning letter, saying it would start legal action in 15 days. Lloyds tried to call Mrs R in May 2025. As Mr R (or his representatives) didn't get in contact, Lloyds instructed solicitors. In the circumstances, I don't think this was unfair.

New complaint issues

Mr R raised new issues while the complaint has been with us. He says Lloyds added third party costs to the mortgage account, didn't increase his monthly direct debit when the interest rate increased, and mis-sold the mortgage as the term should have been longer.

As these issues weren't addressed in Lloyds' final response prior to the complaint being brought to us, I can't fairly consider them here. Mr R should raise these issues with Lloyds and give it an opportunity to respond.

What happens now?

Lloyds asked its solicitors to adjourn a scheduled court hearing. That was to allow Mr R further time to explore his options. It's likely Lloyds will resume recovery action if Mr R or his representative haven't been in contact to agree a possible solution.

Lloyds says it can hold action if it receives evidence Mr R is taking steps to repay the mortgage (for instance a memorandum of sale). I'd encourage Mr R (or his representatives) to get in contact with Lloyds and provide this evidence. Mr R can also consider getting in

contact with Lloyds – or asking his representatives to do so – to provide the evidence it needs to look into what options might be available.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 January 2026.

Ruth Stevenson
Ombudsman