

The complaint

Ms S complains that Lloyds Bank PLC hasn't treated her fairly in relation to her mortgage.

What happened

Ms S took out an interest only mortgage with Lloyds in December 2008. The loan was approximately £176,000 over a sixteen-year term. The term came to an end in December 2024. The interest rate was a variable rate of 1.85% above the Bank of England base rate.

Arrears began accruing on the account in 2023, as increases to the Bank of England base rate made it more difficult for Ms S to afford the monthly payments.

After she'd begun experiencing difficulties making the monthly payments, Ms S raised several concerns to Lloyds about how it was treating her in relation to the mortgage, how it was communicating, and information it was reporting to credit reference agencies.

Lloyds issued several final response letters setting out its findings and informing Ms S that she could refer her concerns to the Financial Ombudsman Service, but would need to do so within six months. I've seen that Lloyds issued final response letters on the following dates:

- 14 November 2023
- 11 March 2024
- 16 April 2024
- 23 April 2024
- 10 February 2025

Ms S first contacted the Financial Ombudsman Service in December 2024, shortly before the mortgage term ended. We wrote to Lloyds to convey the concerns Ms S had relayed to us, which included the following:

- Lloyds wouldn't allow Ms S to switch her mortgage product to a lower rate of interest. This meant the payments had become unaffordable, affecting her credit file and meaning she couldn't re-mortgage elsewhere.
- There was a discrepancy in the payments Ms S had made to the mortgage and what Lloyds was saying it had received.
- Lloyds hadn't sent Ms S information she asked for about the account history and transactions.
- Lloyds was reporting inaccurate information to credit reference agencies as Ms S had made full payments in each of the prior eight months.

Around the same time, Ms S asked Lloyds to extend the mortgage term. Lloyds didn't agree to this, but it did place an initial 90 day hold on the account, to give Ms S time to explore remortgage options.

Lloyds then issued the final response letter dated 10 February 2025. In summary, it said it hadn't been able to offer a new fixed rate due to the short time left on the mortgage. It also said it hadn't found any discrepancies to do with payments made and received, had reported accurate information to credit reference agencies, and had sent the account information to Ms S as she'd requested (but would re-send it). Lloyds also reminded Ms S that the mortgage term had expired and the balance was owing.

Ms S informed us in March 2025 that she remained unhappy and wanted us to look into things.

An Investigator issued an outcome on the complaint. In summary, they said the issues addressed in the final response letters issued between November 2023 and April 2024 had been referred to the Financial Ombudsman Service too late. And in terms of the issues addressed in the February 2025 final response letter that had been brought in time, she didn't think Lloyds had acted unfairly.

Ms S disagreed with this outcome. She detailed the difficulties she'd faced generating income since the COVID pandemic, and the impact of the increase to her mortgage payments and general cost of living. She explained why she still didn't think Lloyds had treated her fairly.

Ms S also detailed how the situation had impacted her health, in terms of stress and associated symptoms. She said she thought this represented exceptional circumstances such that we should look into all of her concerns.

The Investigator was sympathetic to Ms S's situation, but their opinion remained unaltered. As such, the case was passed to me to decide.

I issued a separate decision setting out the parts of the complaint that I can and can't consider. This decision contains my findings on the parts of the complaint that I can consider.

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.

Having done so, I've reached the same overall outcome as the Investigator. I appreciate this will likely come as a disappointment to Ms S, but I hope my explanation helps her to understand why I've reached this conclusion.

Before I explain why I've reached the outcome that I have, I want to set out the purpose of my role. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint.

For that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them.

But, having considered all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint.

The following issues are the ones I can consider:

- Discrepancies between payments made to the account and applied to the mortgage in February and March 2023.

- Lloyds not allowing Ms S to switch to a different interest rate product in January 2024.
- Ms S's request in December 2024 to extend the mortgage term.
- Information reported to credit reference agencies.
- Lloyds not sending information to Ms S about the account that she'd requested (after 23 April 2024)

Discrepancies between payments made to the account and applied to the mortgage in February and March 2023.

It appears that Ms S no longer wishes to pursue this complaint point. Regardless, I've not been provided with any evidence showing any discrepancies between payments made by Ms S to the mortgage and then applied to the account in February and March 2023.

Lloyds not allowing Ms S to switch to a different interest rate product in January 2024

Ms S says it was unfair of Lloyds to turn down her request to move to a different (lower) interest rate. Lloyds says Ms S only had around eleven months of the mortgage term remaining, it only had fixed rates available, and all had a minimum term of two years.

In this scenario, I would expect a lender to consider whether it would be appropriate to extend the mortgage term to allow for a product switch to take place, thinking about the borrower's best interests. This is more likely to be appropriate where the extension required is relatively small and where allowing a borrower to access a lower interest rate, would make the difference between the mortgage payments being affordable and not.

Lloyds has said it did consider such an extension, but that because Ms S didn't have a definitive repayment vehicle in place, it didn't deem this viable from an affordability perspective – it would increase the overall cost of borrowing (as Ms S would be making interest payments for longer).

I consider there's logic to this and am conscious that the mortgage term would've needed to have been extended by over one year to make a product switch possible. And given what Lloyds' notes and the payments made to the mortgage indicate about Ms S's affordability in the lead up to January 2024, I don't think it would've been clear that a product switch would've meant the monthly payments would become affordable either.

All things considered, I don't find that Lloyds acted unfairly in not agreeing to a product switch at that time.

Ms S's request in December 2024 to extend the mortgage term

Ms S asked Lloyds in December 2024 if it would be possible to extend the mortgage beyond the original term. She said she intended to eventually sell the property to repay the mortgage, but that it wasn't a good time to sell.

When Ms S asked Lloyds to extend the mortgage term, it needed to consider whether extending the mortgage would be in her best interests. And in doing so, it could set aside usual affordability considerations.

An example of when this might be appropriate, is where the funds needed to repay the mortgage aren't available at the end of the original term, but there is confidence they will be at a defined point in the future (e.g. through a pension lump sum).

I can't see that was the case here. Ms S planned to repay the mortgage by selling the property. Whilst Ms S considered it not the ideal time to sell the mortgaged property, there were no guarantees the sale value of the property would increase in the future – the opposite might happen. And an extension to the term would result in Ms S paying more interest.

When Lloyds carried out a basic affordability assessment using Ms S's income, the borrowing was deemed unaffordable. Having listened to a recording of the relevant call, where income and expenditure figures were discussed, I'm satisfied Lloyds' approach here was reasonable.

Ms S was told that if she could demonstrate an increase in income (through her next tax return), Lloyds could then reassess affordability at that point. Lloyds agreed an initial 90 day hold to allow Ms S the time to explore options to remortgage elsewhere.

Thinking about the situation as a whole, I find Lloyds acted fairly.

Information reported to credit reference agencies

Ms S had raised concerns about a late payment marker being applied by Lloyds in May 2024, which she said was inaccurate. In response to the Investigator's assessment, Ms S said she'd checked and again and it seemed the May 2024 issue had been corrected.

She also says she was told by a Lloyds agent over the phone that she didn't need to make a payment in September 2024, because she was ahead with her payments. And that if she hadn't been told that incorrect information, she'd have made the required payment to avoid the negative impact on her credit file.

Lloyds says its reporting to credit reference agencies is accurate and a true reflection of the account conduct. It says it didn't report a late payment in May 2024 and that it has no record of the conversation Ms S said happened about her not needing to make a payment in September 2024.

In terms of reporting in May 2024, Ms S has told us this is no longer an issue. There still might be an issue for me to consider if Lloyds had reported incorrect information in the past, but it says it hasn't done this, and I've seen no evidence to the contrary.

In terms of the arrears reporting to do with Ms S not making a payment in September 2024, Lloyds has provided evidence to show that the lack of payment in September 2024 caused the account to go into one month plus arrears. As such, in reporting this to Credit Reference Agencies Lloyds was giving accurate information.

Lloyds has provided what it says are comprehensive contact notes covering all contact between Ms S and its various departments. I've carefully reviewed all of these notes and haven't been able to find any reference to the conversation Ms S says took place.

I did ask Lloyds to provide a recording of a call that took place in August 2024, in case that was relevant. But having listened to that call, it was Ms S asking for information about the outstanding balance of the mortgage, payments she'd made in the past and what needed to be paid and when. At no point does the Lloyds agent tell Ms S that she's ahead of her payments and doesn't need to make a payment in September 2024.

Ms S says she approached her phone company for information about when she'd made calls to Lloyds, so that she could seek to prove what she'd said she was told by about not needing to make a payment in September 2024. However, she's indicated the phone records don't go back far enough, and she hasn't provided anything further.

If there was evidence to support what Ms S says she was told by Lloyds about not needing to make a payment in September 2024, it might be necessary in those circumstances for Lloyds to need to do something in relation to its credit file reporting. However, I've not seen any such supporting evidence.

In the circumstances, there's insufficient evidence for me to conclude that the credit file reporting from September 2024 onwards, relating to the lack of payment in September 2024, is unfair.

Lloyds not sending Ms S information about the account, that she'd requested

Ms S has raised similar issues with Lloyds over time. Lloyds addressed this in the final response letter dated 23 April 2024 (and earlier final response letters). As such, I can only consider this issue from 23 April 2024 onwards.

Ms S says she's told Lloyds it needs to represent her address in a particular format, to ensure that post reaches her. Lloyds says it has always sent information requested by Ms S to the correct address, and that although the address format can differ according to the type of letter being sent, the correct address is always clear, and it can't be held responsible for postal issues.

I can understand why Ms S would be frustrated with this issue. However, Lloyds' records indicate that it has sent information requested by Ms S and it's not in dispute that she receives at least some postal correspondence from Lloyds. When Ms S informed Lloyds she hadn't received what she was expecting, Lloyds re-sent the information to her. Whilst I can understand Ms S's frustration here, I don't consider that Lloyds has acted unfairly.

Finally, I'm aware that Ms S has expressed concerns about how Lloyds has treated her since the final response letter issued in February 2025. Ms S would need to raise those concerns with Lloyds in the first instance, before we could potentially consider these issues.

In conclusion

Whilst I understand and accept that Ms S has faced difficult circumstances in relation to her mortgage, I haven't found that Lloyds has acted unfairly in terms of the issues I can consider.

My final decision

My final decision is that I don't uphold Ms S's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 18 February 2026.

Ben Brewer
Ombudsman