DRN-6225212

Financial Ombudsman Service

The complaint

Miss C's complaint is about a mortgage she has with Lloyds Bank PLC. She is unhappy with the administration of her mortgage since the beginning of 2024 as she says:

- Lloyds did not send her the suspended possession order (SPO) when it was issued by the court in January 2024, as she has been told it should have, or afterwards when she asked for a copy.
- Her credit file has been updated incorrectly as it is showing that she has missed payments when she has not, and it does not record a payment arrangement being in place as it should.
- Lloyds said she had broken the payment arrangement set out in the SPO, as she had not made the June 2024 payment on time. As such, it required her to complete an income and expenditure (I&E) exercise so that Lloyds could set up a new payment arrangement, or legal action might be started again. However, the payment was made on time.

What happened

Miss C took out her mortgage with Lloyds in 2010. Due to the arrears on the account, Lloyds took legal action and a SPO was issued by the courts in January 2024. This set out that if Miss C wanted to remain in her home, she had to pay the contractual monthly payment (CMP) and an additional £52.28 towards the arrears by the last day of each month.

Lloyds' solicitors wrote to Miss C on 25 March 2024 to emphasise how important it was for her to maintain the payments required under the SPO. It said that if she did so, Lloyds would take no further legal action. However, if she was unable to do so she should contact Lloyds immediately or it might apply to the court for possession of her home. A copy of the SPO was enclosed with this letter.

Miss C chose to make her payments manually, by faster payment, as she is paid on the last working day of the month. She has provided evidence that she made the June 2024 payment on Friday 28 June 2024 at 5.57 pm. As this payment was not credited to the mortgage until Monday 1 July 2024, Miss C was asked to complete an income and expenditure (I&E) exercise due to the payment arrangement having been broken and a new one needing to be agreed. Miss C complained, as she did not consider that the arrangement set out in the SPO had been broken. When doing so, she told Lloyds that she wanted a copy of the SPO.

Lloyds responded to the complaint in a letter of 16 September 2024. It said that Miss C had not sent the payment in time for it to clear into her mortgage account by the end of the month as was required. While Lloyds acknowledged that Miss C had not intended this to happen, it had none-the-less, and this broke the arrangement set out in the SPO.

In relation to Miss C's credit report, Lloyds confirmed that it showed that the mortgage was in arrears, but it also showed that there was a payment arrangement in place, which is what it should be showing. The final response letter also commented on some other matters that Miss C has confirmed that she does not want us to consider as part of this complaint.

Miss C was not happy with the response she received and asked this Service to consider the complaint. When she did, she told us that she had never received a copy of the SPO and that the court had told her that Lloyds should have provided her with this. However, when she had asked for one, Lloyds had not provided her with a copy. Miss C also told us that Lloyds was not reporting a payment arrangement on her credit file.

Lloyds provided evidence of it's reporting to the CRAs for the period from July 2022 to March 2025. This showed that a payment arrangement had been reported in every month, which was incorrect, but Lloyds had no intention of correcting this as it would be to Miss C's detriment. Lloyds also explained that when a payment arrangement is in place, its standard practice is to review them every six months, including when the arrears payment is set by the courts. This is to ensure that the arrangement is still affordable and to see if it can offer any further support options.

Two of our Investigators looked into Miss C's complaint. Following the first of them doing so, Miss C confirmed that the complaint issues she wanted us to consider were those that I have detailed in the complaint section of this document above. Miss C provided evidence of the payments she'd made to Lloyds and also information about faster payments from both Lloyds and the bank that provided the account she made her mortgage payments from. The information from the bank confirmed:

'***How long do Faster Payments take?***

The name says it all. Faster Payments are… fast. Payments usually arrive in the recipient's bank account instantly, or within a couple of minutes. Sometimes Faster Payments can take between two and twenty four hours to arrive in the recipients account, but this is uncommon.'

Ultimately, the second Investigator recommended that the complaint be upheld. He considered that as Miss C had made the payments to Lloyds on the day she was required to make it by, Lloyds would have had that money on the applicable day. It was not Miss C's fault that the money had not been allocated to the mortgage account on time. In light of this, he was satisfied the payment arrangement set out in the SPO had not been broken and Lloyds should ensure that it was reporting a payment arrangement to CRAs and stop asking Miss C to complete an I&E exercise. In addition, he recommended that Lloyds pay Miss C £750 compensation for the upset and inconvenience she'd experienced because of Lloyds' errors. The Investigator also provided Miss C with a copy of the SPO.

Lloyds didn't accept the Investigator's conclusions. It said that it was not its responsibility to provide Miss C with the SPO, and she had not asked it for a copy, although she did make it aware she didn't have a copy when she complained. Furthermore, its solicitors had confirmed that they had not spoken to Miss C since the SPO had been issued and had not been asked by Miss C for a copy. Lloyds confirmed that it had been reporting a payment arrangement throughout, and so there was nothing more that it could do in relation to Miss C's credit file.

In addition, Lloyds explained that if payments are made by methods other than direct debit, the payments have to clear into its suspense account and then be cleared into the mortgage account by the end of the last working day of the month. The clearing process can take up to two days. Lloyds highlighted that Miss C needed to ensure that it received the money due under the SPO by the end of the last working day of the month.

Lloyds went on to explain that it is possible that if Miss C were to speak to it, it might be able to apply a due date payment break that would prevent the issue of payments being missed if they are credited to the account slightly late. This would allow Miss C to move the payment date at the time it was put in place to early in the following month. Payments would then be

due on the same day in each month thereafter. This would give Miss C some leeway in when she made her payment, so that if it was not credited to the account for similar reasons as the June 2024 payment, she would not risk Lloyds' systems registering the payment as missed.

In relation to the request for an I&E to be done, Lloyds considered that this request was appropriate and for Miss C's benefit as it would allow it to adjust any arrangements for her benefit.

The Investigator considered what Lloyds had said, but he was not persuaded to alter his conclusions. As such, it was decided that the complaint should be referred to an ombudsman for review.

I issued a provisional decision on 27 February 2026, setting out my conclusions and reasons for reaching them.

'*I will firstly address the matter of the provision of the SPO. The order was issued by the court, and it would have sent a copy of it to both Miss C and Lloyds. I note that Miss C has said she's been told by the court that Lloyds should have given her the SPO, but that is simply not the case. However, it is possible that if Miss C contacted the court some time after the SPO was issued, the court may have suggested that she ask her lender for a copy, as the simplest way of her obtaining one.*

That said, it appears that Lloyds' solicitors did send Miss C a copy of the SPO when it wrote to her in March 2024 to emphasise the need for her to maintain the payment arrangement. Also, while Miss C didn't specifically ask Lloyds to send her a copy of the SPO when she made her complaint in August 2024, she did say that she wanted a copy. I think reasonably Lloyds should have understood by this that Miss C might not have a copy of the order and should have asked her if she wanted it to send her a copy. I will consider what Lloyds should do about this service failing later in this decision.

In relation to Miss C's credit file, I have reviewed the information she has provided. The screens she's given us appear to cover just missed payments. This is represented by a red circle and a cross where a payment is recorded as missed, and this is the status of the mortgage recorded for most months. Miss C is unhappy with this as she has been making payments.

Lenders do not control how a CRA presents the information that the lender provides it with. It is standard for a lender to confirm two pieces of information that are key to Miss C's concerns. The first is the equivalent number of months CMP that the arrears represent, up to six months' worth. So, for example, if the arrears were £1,000 and the contractual payment was £250 the lender would report that the arrears represented four months of CMP.

CRAs will usually report this information in the form of missed payments – the fact that a particular month is recorded as there being a missed payment does not mean that the payment for that month was missed, but that there are missed payments that are outstanding, be that from that month or previous months. Some CRAs will not just report that there are missed payments for a particular month, but it will also include the number that the lender has supplied for the equivalent number of CMP the arrears represent.

Miss C has said that the payment arrangement created by the SPO is not recorded on her credit file. The parts of her credit file that she has provided to us is silent on the matter of whether there is a payment arrangement or not. The status of a mortgage is recorded as letter codes on a full credit report – AA or BB for arrears without an arrangement and AR for arrears with an arrangement. No such information is included in the information Miss C has

provided. So, what she has sent us doesn't evidence that the payment arrangement has not been recorded.

However, Lloyds has provided evidence that it has reported a payment arrangement for Miss C's mortgage consistently since January 2024 when the SPO was issued. Miss C may want to check her full credit file to see whether the payment arrangement is being reported by whichever CRA she uses, as it would appear the information she has been accessing and provided to us, does not contain the relevant part of the standard reporting. As I am satisfied that the evidence that has been provided shows that Lloyds has reported the payment arrangement from the SPO since it was issued, it doesn't need to do anything in this respect.

I now turn to the matter of the late payment for June 2024 that was the reason this complaint was made.

Miss C is correct that she instructed her bank to make the payment on the calendar day it needed to be credited to her mortgage account. Looking at the data Miss C has given us, where she made her payment before or during working hours, the payments cleared into the mortgage account on the same day. However, while the June 2024 payment was made on the calendar day it needed to be credited to the mortgage account, it was not made until the evening of that day – after working hours. As I am sure Miss C is aware, given her previous employment within the mortgage industry, a payment has to clear into an account within the working day to be classed as being received on that day. So, the fact that Miss C paid the money to Lloyds after the close of the business day automatically meant that it would be credited on the following business day. As such, I don't consider that Lloyds was wrong to say to Miss C that the payment was late.

I have noted Miss C's comments about how faster payments work and cut off times, but that relates to the sending bank taking the money from her account and putting it into the banking system to be transferred to the receiving bank. The fact that she instructed her current account bank to make a payment, and it said it would do it within two hours, doesn't mean that it will clear into the receiving account, especially when that account is a mortgage one, where payments have to be moved through a suspense account.

I am satisfied that Lloyds did not make a mistake in not crediting the June 2024 payment to Miss C's mortgage until 1 July 2024. A late payment will trigger automated letters, as this is how lender's systems are designed – so that borrowers are told as soon as possible that there might be a problem. So, I can't find that Lloyds were wrong to send Miss C such a letter.

However, I don't think that it acted reasonably when the June payment was a day late in relation to the payment arrangement. Where a consumer is in financial difficulties they should be treated as an individual. I think it would have been reasonable that a degree of pragmatism was applied in the situation – while the payment had been received into the account late, it was not because Miss C had not paid it, but rather because of a matter of poor timing on her part when completing the banking transaction. In light of this and the fact that the arrangement had only been put in place a matter of months earlier, I think Lloyds should simply have reinstated the payment arrangement without Miss C having to take any further action.

I note that when the interest rate subsequently increased and the CMP increased, Miss C was not paying enough to fulfil the payment arrangement set in the SPO, although the shortfall was less than £1 per month and still exceeded the CMP by over £50 per month. Again, this is technically a breach of the payment arrangement, but given the amounts involved, I again think that Lloyds should have taken a pragmatic approach, rather than simply determining that the payment arrangement had failed. It may have simply been a

matter of Miss C having not realised that what she was paying was not quite enough and it could have been remedied with a telephone call. Given that Lloyds is aware that Miss C is paying the mortgage by manual transfer, it might want to let Miss C know not just what the new CMP is when the interest rate changes, but also how much she needs to pay under the payment arrangement.

All of the above said, I would also confirm that as a lender Lloyds is responsible for making sure that any arrangements in place remain affordable for the borrower. So, it is reasonable that Lloyds will want to review Miss C's financial situation periodically, for example annually, to make sure that what is in place is still affordable and that it's the best option for her. Miss C has asked in the past for arrears to be capitalised – after evidencing that she can pay the payment arrangement for a sustained period, it may be that capitalising the arrears is affordable for her and would be to her advantage in that it would allow her to repair her credit file sooner. However, in order for Lloyds to offer any such options to Miss C, she needs to talk to it about her financial situation.

Lloyds has offered to:

- *Set up a payment arrangement for 12 months based on the SPO amount of CMP plus £52.28 per month.*
- *At the end of 12 months, review the arrangement to see if it should remain in place or if there are better options it can give her.*
- *Review the due date on Miss C's account, to ensure that it is appropriate.*

I have considered this offer and in the main, I think it is reasonable. However, I think that rather than setting up a new payment arrangement, Lloyds should adjust its records to show that the payment arrangement that resulted from the SPO has been in place since January 2024 and will remain in place going forwards.

That said, as I have explained above, I do consider that it would be appropriate for the arrangements to be reviewed periodically, to ensure that the payment arrangement is still the right thing for Miss C. I am sure that if Miss C casts her mind back to her role in financial services, she will understand that having the plan reviewed periodically is a sensible thing to do. A review would allow Lloyds to suggest alternatives that might be to Miss C's benefit – although she doesn't have to pursue any of those options if she doesn't want to.

I also think the possibility of changing the payment due date, with a payment break to avoid the need to make two payments in quick succession, may be to Miss C's advantage. It would mean that if her payment did not clear into the mortgage account on the day she makes the payment, it would not result in Lloyds' system recording the payment as missed, with the resultant correspondence which has clearly been upsetting for her. That said, I will leave this to Miss C if she wishes to look into this possibility, but I would urge her to consider the option.

In addition to the above, I also consider that Lloyds should pay Miss C £500 compensation for the upset and inconvenience it has caused her over the matter of its handling of the payment arrangement.'

Lloyds accepted my conclusions. Miss C let us know that she had asked for a full copy of her credit report. However, she didn't provide any further information or ask for additional time to respond because the information she'd requested had not been received.

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.

I have reviewed the file again in its entirety and I have revisited my provisional decision. Having done so, in light of there being no further evidence or information, my conclusions have not changed.

Putting things right

In settlement of this complaint, Lloyds should:

- Adjust its records to show that the payment arrangement that resulted from the SPO of CMP plus £52.28 per month has been in place since 2024 and remains in place.
- At the end of 12 months, review the arrangement to see if it should remain in place or if there are better options it can give Miss C.
- Review the due date on Miss C's account, to ensure that it is appropriate, if Miss C wants this done.
- Pay Miss C £500 compensation for the upset and inconvenience she has been caused.

My final decision

My final decision is that I uphold this complaint in part. I require Lloyds Bank PLC to settle the complaint as detailed above in 'putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss C to accept or reject my decision before 15 April 2026.

Derry Baxter
Ombudsman