

complaint

Mr and Mrs B complain that their income was over stated on their mortgage application to Lloyds TSB. As a result, they say the mortgage was unaffordable and they have suffered financial difficulties.

background

Mr and Mrs B took out a mortgage with Lloyds TSB. They borrowed a total of £360,000 to repay their existing mortgage with the remainder used to repay unsecured debts. They say that Lloyds TSB only agreed that level of borrowing because it incorrectly recorded what their income was at the time. Mr and Mrs B say the payments are unaffordable and that has caused them financial difficulty.

The adjudicator did not recommend that the complaint should be upheld. He did not consider that Lloyds TSB had acted incorrectly in agreeing the level of borrowing that it did.

Mr and Mrs B responded to say, in summary:

- the income stated on the application was clearly wrong
- Lloyds TSB should have checked that the income that was correct
- they would have been better off if the mortgage had not been approved and they just transferred their existing mortgage debt, rather than repaying any unsecured debt

my findings

I have considered all the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances of this complaint.

what Lloyds TSB was required to do

Lloyds TSB was not giving Mr and Mrs B mortgage advice. But it should have asked them scripted questions and told them to seek advice if it became apparent that the mortgage they had chosen was inappropriate for them. Lloyds TSB should also have taken account of Mr and Mrs B's ability to pay the mortgage.

Lloyds TSB gave appropriate warnings about consolidating debt

Lloyds TSB has given us a copy of the script it used when the mortgage was taken out. It contains suitable warnings about the increase in cost of paying unsecured debt over a longer term and the risk of securing previously unsecured debt. It also contains an explanation about the difference between a repayment and interest only mortgage.

Looking at the available evidence, I consider it more likely, on balance, that the script was followed in this case. Therefore I am satisfied that Lloyds TSB gave Mr and Mrs B sufficient information for them to make an informed choice about whether to consolidate their debts and/or take a part interest only mortgage.

affordability

Lloyds TSB should have taken account of Mr and Mrs B's ability to pay the mortgage. Mr and Mrs B say that their income was overstated by Lloyds TSB and if it had used the correct figures then the mortgage would not have been approved.

It has been difficult to establish what Mr and Mrs B' income actually was at the time in question. Nevertheless, they were able to meet the payments for some time and it appears that it was only the loss of earnings from Mr B's second job which caused them to experience payment difficulties. Further, the mortgage reduced their outgoings substantially and it was more affordable than the arrangements it replaced.

Looking at matters as a whole I do not consider it was unreasonable for Lloyds TSB to approve the borrowing it did. It appears to have been the change in Mr and Mrs B's circumstances that caused the financial difficulties rather than the borrowing that Lloyds TSB approved.

Lloyds TSB has offered Mr and Mrs B £100 for any distress and inconvenience caused by its handling of their complaint. I think this is fair.

my final decision

My final decision is that I do not uphold this complaint, in the sense that Lloyds TSB has already made a fair offer of compensation.

Ken Rose
ombudsman