

The complaint

This complaint is about a mortgage Mr and Mrs G hold with Lloyds Bank Plc. They're unhappy that Lloyds didn't tell them about a packaged bank account (PBA) it offers, one of the benefits of which is a discount of 0.2% off any mortgage rate product they might have from time to time.

What happened

Our decisions are published, and it's important that I don't include any information that might result in Mr and Mrs G being identified. Instead I'll provide a brief summary and then focus on giving the reasons for my decision.

Mr and Mrs G took the mortgage out in 2004, with another lender which was subsequently taken over by Lloyds. For many years, Mr and Mrs G lived abroad and the house was let out with Lloyds' consent. In 2014, Lloyds introduced the PBA.

In 2022, Mr and Mrs G applied for a new rate; there was a delay whilst they provided proof the property was no longer let out. They then found out about the PBA, opened one, and said they should have been offered one years earlier, in order to obtain the 0.2% discount on the mortgage. The new rate application stalled at this point; Lloyds rejected the complaint and it was referred to us.

Lloyds thought the complaint was time-barred (at least partially) under our rules. A fellow ombudsman issued a decision confirming that we could consider it. Meantime, Lloyds confirmed that, separately from the outcome of the complaint about the 0.2% discount, it would honour the interest rate deal Mr and Mrs G had applied for in 2022. Our investigator didn't think the complaint should be upheld. Mr and Mrs G asked for the complaint to be reviewed by an ombudsman.

What I've decided – and why

First, some general comments. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round". In doing that, I don't take instruction from either party to the complaint.

We revisit jurisdiction at every stage of our consideration of a complaint. Having looked at the decision my ombudsman colleague issued in March 2023, I agree that we are not time-barred by our rules from considering this complaint.

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, what follows are my conclusions and the reasons for them.

The essence of this complaint is that Mr and Mrs G believe Lloyds had an obligation to tell them about the PBA and encourage them to open one, not just in 2022 when they applied for the new rate on the mortgage, but going all the way back to 2014 when the product was launched. I appreciate why they think that, and I acknowledge their strength of feeling. However, I'm afraid it's not as simple as that.

The sale of PBAs is regulated by the Financial Conduct Authority (FCA), and the FCA's rules impose strict limitations on how such products are promoted. That's because PBAs bundle together additional services at a cost, and providers have to be satisfied that the entire product, not just one individual feature, is suitable for a customer before recommending it to them.

When Lloyds told Mr and Mrs G that encouraging them to open a PBA simply to qualify for the 0.2% discount on their mortgage might leave it vulnerable to an allegation of mis-selling, it was telling the truth. For that reason, however much they would like me to, I'm unable to find in their favour.

Lloyds has already said that it will honour the underlying interest rate deal Mr and Mrs G wanted in 2022; that's entirely reasonable and fair. But for the reasons I've set out above, even though they have since opened a PBA, it's not obliged to add the discount of 0.2%, nor retrospectively apply the discount to their mortgage going back to 2014.

That's because the account has to been in existence *before* the interest rate product is applied for. Mr and Mrs G opened their PBA after applying for the new rate, having researched it themselves online. These products are well-advertised; I'm satisfied Mr and Mrs G could have done that research at any time since the account was launched.

My final decision

I don't uphold this complaint. 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 and Mrs G to accept or reject my decision before 8 August 2023.

Jeff Parrington

Ombudsman