

The complaint

This complaint is about Mr and Mrs K's four buy-to-let (BTL) mortgages held with Lloyds Bank PLC, through its mortgage division, Cheltenham & Gloucester. Mr K, who has dealt with the complaint throughout, has complained that when he wanted to arrange a new interest rate product for the mortgages, he was told by Lloyds that it was necessary to arrange new re-mortgages, which resulted in delay, distress and inconvenience.

Lloyds agreed to reimburse legal fees incurred for disbursements totalling £268.20 and £350 for distress and inconvenience. Our investigator was satisfied this was fair and reasonable.

However, to settle the complaint, Mr K wants Lloyds to pay more compensation. He said that having to deal with this matter exacerbated a health condition and caused him additional stress.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, so there is no need for me to repeat the details here.

I understand that the underlying issue in the complaint – the arrangement of the new re-mortgages for the BTLs – has now been completed and the mortgages are now all on new BTL mortgages. The only outstanding issue is the level of compensation Lloyds has offered.

Therefore, I don't need to analyse the events in detail in order to determine whether the bank has made errors – Lloyds has accepted it could have done better. What I need to decide is whether Lloyds needs to do anything more to put things right.

In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs K being identified. So for these reasons, I will concentrate on giving the reasons for my decision.

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.

Generally arranging an existing mortgage onto a new interest rate product is straightforward, and can be done online. However, in the case of Mr and Mrs K's four BTL mortgages, it wasn't possible to carry out a standard product switch. That's because the mortgages were in a closed book portfolio, which meant that, other than the length of the term or the repayment type, no changes could be made to the mortgages, including new interest rates.

Closing a mortgage book to new business is a commercial decision Lloyds is entitled to make as part of its business operations. It's not something that falls within our remit, so I won't comment on this any further.

Lloyds was able to offer new mortgages in an open portfolio, but this involved redeeming the existing mortgages and taking out new mortgages, which involved instructing solicitors and putting new security in place. The bank offered 'free legals' using its own solicitors.

I understand Mr K wasn't happy about having to go through this process for the four mortgages, but I'm satisfied it was a necessary process, given that these were new mortgages. However, it took longer than expected, with delays and errors made by the solicitors which caused some inconvenience.

Mr and Mrs K also hadn't been made aware of various disbursements that arose – Land Registry fees, landlords' fees for processing notices of the mortgages, etc. which totalled £268.20. Because the need to re-mortgage was at the instigation of Lloyds, it is only right that Lloyds agreed to reimburse these fees; had this been a straightforward interest rate product switch, these fees would not have been incurred.

Lloyds acknowledged that the process had taken too long and hadn't been as simple as it should have been. I understand Mr K struggled with the online portal, and found the service from the solicitors to be below his expectations.

I've taken note of what Mr K has told us about his health, and that of Mrs K (who, from the contact notes doesn't appear to have engaged in the re-mortgage process to any large extent). I won't divulge any details, in order to preserve Mr and Mrs K's anonymity and privacy.

Overall, taking into consideration everything Mr and Mrs K have said about the effect of the delays on them, I think the compensation offered by Lloyds of £350 for distress and inconvenience is fair, reasonable and proportionate to the trouble and upset caused. We don't make awards of compensation that are intended to be punitive, or to compensate consumers at an hourly rate. Nor do we award damages in the way that a court would. Therefore, in all the circumstances, I'm not going to order Lloyds to do anything more.

My final decision

My final decision is that I don't uphold this complaint, insofar as I'm satisfied the compensation already offered by Lloyds Bank Plc (£268.20 for legal costs and £350 for distress and inconvenience) is fair and reasonable. I direct Lloyds Bank UK Plc to pay this amount to Mr and Mrs K in full and final settlement of this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to accept or reject my decision before 27 September 2023.

Jan O'Leary
Ombudsman