

## **The complaint**

Mr and Ms G complain that Lloyds Bank PLC:

- Didn't check they could afford to repay their mortgage balance when they switched to interest only.
- Unfairly recorded they had missed a mortgage payment on their credit files.

## **What happened**

Mr and Ms G had a mortgage with Lloyds. In 2008, when they split up, Ms G remained in the mortgaged property. She switched it to interest only to make it affordable. She doesn't consider Lloyds properly checked that she and Mr G could repay the capital balance at the end of term.

In 2022, Mr and Ms G sold the property. Ms G said that when the property was being sold she told Lloyds that she couldn't afford the monthly mortgage payment. She said she was told to make partial payments so it wouldn't show that she'd missed a payment. Despite that, Lloyds recorded a missed payment on Mr and Ms G's credit files.

An ombudsman issued a decision that said we couldn't consider the complaint about the switch to interest only as it wasn't made in time.

An investigator did not think the complaint about the credit file should be upheld. He said Lloyds hadn't made in errors in credit file reporting.

Mr and Ms G did not accept what the investigator said. They made a number of points, including:

- The house was in the process of being sold. Lloyds was aware of that. Ms G had asked for the account to be put on hold as the sale was due to complete around the time the mortgage payment was due and she did not wish to overpay.
- The sale completed on 1 August 2022 and the mortgage was settle in full. Lloyds had already given a redemption figure, so if they'd made another mortgage payment they would have overpaid.
- Lloyds should have exercised its discretion . It did not do so and the way it communicated was poor and unclear. We should listen to the phone call. It would be clear Lloyds was at fault.

## **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.

Ms G said she spoke to Lloyds and asked for a hold on the mortgage as payment was due around the completion date of the mortgage and she didn't want to overpay. She said she was told to make partial payments so the payment wouldn't be classed as missed.

Lloyds said on 27 June 2022 it told Ms G that it needed a payment each month and if it wasn't received it may be marked as a missed payment. It said it went on to say that if Ms G made a token payment so that the arrears were under one contractual monthly payment, then her credit file would not be affected. Lloyds has provided evidence that it listened to the relevant phone call and has produced detailed notes of what was discussed.

I consider it likely, on balance, that what Lloyds has told us is a reflection of what was discussed during the phone call. Mr and Ms G have not told us anything which would lead to me to conclude it is not a fair summary of what was discussed.

Lloyds was obliged to communicate in a way that was clear, fair and not misleading. But I can't see that it gave Ms G any incorrect information.

Mr and Ms G had entered into a contract to pay the monthly mortgage payment until the mortgage was repaid. The fact that the property was going to be sold and that Mr and Mrs G were worried about overpaying wouldn't change that. So I don't consider that Lloyds acted unfairly by asking for the full monthly payment. It acted reasonably by explaining how Mr and Ms G could avoid having adverse information on their credit file.

The difficulty I have is that the evidence I have shows no payment was made in June 2022 at all. A payment of £20 was made in July 2022, followed by a payment of £300.96. That brought the account up to date. But there was no payment made for the amount that became due on 29 July 2022. So the account was in arrears by more than one monthly payment at that point. I can't see that was due to any error by Lloyds.

Lloyds is required to record true and accurate information on its customers credit file. I consider it is accurate and fair to record that the mortgage was in arrears in July 2022.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G and Mr G to accept or reject my decision before 1 December 2023.

Ken Rose  
**Ombudsman**