DRN-4402471

The complaint

Miss C has complained that, from 2019 onwards, Lloyds Bank PLC failed to tell her that she could have had an interest rate product switch on her mortgage without the need for an affordability assessment.

Miss C says that in July 2019 she was told she couldn't have a product switch, but believes that Lloyds should have allowed this. Miss C says that she is unable to move to another lender and so considers herself to be a mortgage prisoner.

Miss C would like Lloyds to compensate her for the additional interest she's paid when she could have been on a much lower rate since 2019.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Miss C being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Briefly, Miss C has a mortgage which is in joint names with her ex-husband, Mr B. Miss C remains in the property, the title to which is now in her sole name, although the mortgage remains in joint names. I note that, although Miss C was previously receiving Support for Mortgage Interest (SMI) from the Department for Work & Pensions (DWP), when this changed from being a benefit to a loan, Miss C decided to pay the interest on the mortgage herself. As a result of interest rate rises, this has put a strain on Miss C's finances.

A complaint was made by Miss C in December 2022 that Lloyds had failed to advise her that she could have a new interest rate product for the mortgage.

In its final response letter, Lloyds didn't uphold the complaint. The bank noted that in 2018 Miss C had asked for a transfer of equity to remove her ex-husband from the mortgage. However, that was declined on the basis of affordability. Lloyds confirmed it had investigated a complaint about this in 2018 and, indeed, I note a final response letter was issued on that matter, and about the bank's decision to decline a term extension, on 25 April 2018.

With regard to Miss C's complaint that in July 2019 Lloyds had declined a product transfer on the basis of affordability, the bank said this wasn't the case. Lloyds said Miss C's call at that time was about the way overpayments had been applied to the account. Lloyds said that for any product switch it was the bank's policy to require all parties to the mortgage to consent.

Lloyds said that it didn't consider Miss C a mortgage prisoner, and that it had never told her that she couldn't have a new interest rate. Lloyds said that it had always informed Miss C of the rate on her mortgage, but that it wouldn't contact her to advise her to apply for a new rate.

Miss C wasn't happy with Lloyds' response and raised her complaint with our service. Miss C clarified that her complaint was that Lloyds should have offered her a new interest rate product in July 2019.

An investigator looked at what had happened, but didn't think the complaint should be upheld. The investigator noted that the call in July 2019 was about the way overpayments were applied to the mortgage. The investigator was satisfied that Miss C hadn't asked about a product switch, but noted that she had mentioned she couldn't get another mortgage because of affordability.

The investigator noted that Lloyds' policy had now changed and that since 2021 it would allow a product transfer on a single signature. However, after Miss C had discussed this with Lloyds in 2022, she decided not to go ahead with a new interest rate product because her existing rate was lower than the available fixed rate products for which she was eligible.

Miss C didn't accept the investigator's findings. She raised a number of issues that hadn't been included in the original complaint, relating to matters arising between 2008 and 2018. The investigator explained that it wasn't possible to add new issues to the complaint, and I note Lloyds has set up a separate complaint to cover these new issues.

In relation to this current complaint, Miss C says *"I am in this position because I am poor and it all seems really unfair. A fix now would just tie me into a mortgage which I already cannot afford as it's highly likely interest rates have almost peaked. I really don't believe the Ombudsman is impartial at this point because banks are allowed to discriminate against disabled people".*

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.

The crux of this complaint is that Miss C says that, on 3 July 2019, Lloyds failed to advise her that she could apply for a new interest rate product. The bank's position is that it wouldn't have offered any advice to Miss C about this, and that, in any event, this was a joint mortgage and its policy at the time was to require both parties to agree to any changes to the mortgage.

The bank's records show that the call on 3 July 2019 was to discuss the application of overpayments to the mortgage account, and that Miss C complained that she hadn't been given the option to allocate overpayments to the sub-account which had the higher interest rate. In the context of this call, I'm not persuaded that Lloyds was under any obligation to offer unsolicited advice to Miss C about making changes to her interest rate product. This is particularly so given that this is a joint mortgage and at the time Lloyds' policy was that it would need both signatures in order to implement a change.

I've reviewed Lloyds' contact notes and there is no request from 2018 onwards by Miss C for an interest rate product switch. It wasn't until May 2022 that Miss C first discussed this with Lloyds, but decided not to go ahead with it.

Whenever Miss C's interest rate changed, the computer-generated letter sent by the bank invited her to contact the bank to discuss her options. I appreciate Miss C might have thought there were no options available to her, but the evidence doesn't persuade me that she asked about a new interest rate product before 2022.

Therefore, in all the circumstances, I'm unable to find Lloyds has done anything wrong by not pro-actively advising Miss C that she could have applied for a new interest rate product.

I've noted what Miss C has said about being discriminated against due to her disability. Miss C is dependent on benefits. Her mortgage interest used to be paid by the DWP through SMI. However, in April 2018 this changed from being a benefit to a loan, with the DWP securing a charge over a claimant's property in order to recoup the payments when the property was eventually sold.

I appreciate Miss C decided not to continue with SMI once this change took place, and I don't doubt this has had a detrimental effect on her financial position, as she is now paying the mortgage interest from the benefit income she receives. That is a choice only Miss C can make, and I fully understand why she might not want the equity in her property to be eroded by a charge in favour of the DWP. However, I can't hold Lloyds responsible for the consequential impact of this on Miss C's finances.

I'm also not persuaded that Lloyds has discriminated against Miss C on the basis of disability. Miss C wasn't turned down for a product switch because she is disabled, nor on the basis of affordability.

Lloyds was able to consider a product transfer for Miss C in 2022, but this would not have been at a lower rate than the rate she was already on. Consequently, it wouldn't have made financial sense for Miss C to tie herself into a new rate that would come with an early repayment charge.

I'm satisfied Miss C isn't a mortgage prisoner. Miss C is free to apply at any time for a new rate, should she wish to do so. Lloyds publishes its mortgage interest rates online, which are subject to change from time to time. This is because fixed rate products are only available for limited periods, and so it is up to Miss C to check the available rates periodically if she is thinking of applying again for a new interest rate product. A product switch doesn't involve an affordability assessment, although Miss C would need to take into account the impact of fixing the interest rate over a specific term, as she would be committed to that fixed monthly repayment, even if interest rates might fall at a later date.

I know this isn't the outcome Miss C was hoping for, but in all the circumstances, I'm unable to find Lloyds has done anything wrong. I acknowledge Miss C is in financial difficulty, and I must remind Lloyds of its obligation to treat Miss C fairly and sympathetically, and to give proper consideration to any payment proposals if the mortgage falls into arrears. It might also assist Miss C to speak to one of the free advice agencies such as Citizens Advice, StepChange or Shelter. We can provide Miss C with contact details for those agencies, if she'd like us to.

My final decision

My final decision is that I don't uphold 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 discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 30 January 2024.

Jan O'Leary
Ombudsman