

## The complaint

Mr and Mrs G have complained about an early repayment charge (“ERC”) they incurred on the mortgage they held with Lloyds Bank PLC. They’ve said from reading some information on Lloyds’ website they believed their ERC would be reduced due to the fact they were long standing customers.

## What happened

Mr and Mrs G had a mortgage with Lloyds and they applied online to transfer it to a new product

In December 2021 they were issued with a product transfer mortgage offer which indicated the balance of the mortgage was around £228,000 and there was just under 22 years left to run on a repayment basis. The product Mr and Mrs G had chosen was fixed at 1.85% until 30 April 2027 and came with an ERC as follows:

- 5% of the amount repaid on or before 30 April 2023
- 4% of the amount repaid on or before 30 April 2024
- 3% of the amount repaid on or before 30 April 2025
- 2% of the amount repaid on or before 30 April 2026
- 1% of the amount repaid on or before 30 April 2027

The offer said *“The maximum early repayment charge you will pay is £11,393.05. Should you decide to repay this loan early, please contact us to ascertain the exact level of the early repayment charge at that moment.”*

In June 2022 Mr and Mrs G asked about repaying the mortgage. In a call with Lloyds Mr G said that they’d taken out a fixed rate with an ERC in 2021 and he wanted to know if there was anything Lloyds could do to reduce the ERC as they were long standing customers. He said they were moving abroad for his work for a number of years and so they were selling the property and they hadn’t expected that to happen when they took the new rate. The call handler said nothing could be done about the ERC.

The mortgage was redeemed in April 2023, and an ERC of around £11,000 was incurred.

A few days later Mr and Mrs G complained to Lloyds. They said although they were aware of the terms relating to the ERC when they took out the mortgage, their decision to proceed with a five-year fixed rate was heavily influenced by misleading information on Lloyds’ website, which said *“you might be able to pay less if you have been with your lender for a long time, but this is up to the lender”*. They said, as they’d been customers of Lloyds for a long time they thought it would be safe to expect a significant reduction in the ERC should they need to move before the fixed rate ended, and had they not read that information then they would have taken a two-year fixed rate instead. They also said they’d previously complained about this (in June 2022) but that had just been dismissed by the call handler.

Lloyds said a complaint should have been opened in June 2022 and it apologised for that oversight. In respect of the ERC it said the information on the website was general

information relating to mortgages across the whole mortgage market, and that the ERC applicable to Mr and Mrs G's mortgage was set out in their December 2021 product transfer offer. It said it was unable to agree a reduction in the ERC.

Our Investigator didn't uphold the complaint. She said Lloyds had applied the ERC that was set out in Mr and Mrs G's mortgage offer and she didn't think it was wrong to do so. She said Mr G had said in June 2022 that they hadn't expected to need to redeem the mortgage, with the move abroad being a recent plan, and so she didn't think the general information contained on the website would have impacted their decision on which product to take, especially as they hadn't contacted Lloyds before taking out the product to clarify matters.

Mr and Mrs G didn't agree and so it has been passed to me to decide.

### **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.

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 not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Before I go any further I should provide some clarification on a point that came up in Mr and Mrs G's response to our Investigator's assessment of the complaint. Mr and Mrs G responded to comments from our Investigator about the June 2022 call (where Mr G said that his work move was unexpected) saying *"When discussing with [the adviser in June 2022], regarding the move being unexpected – although it is true that the move for the role in Germany was unexpected (location priority had been elsewhere), this was clearly a naive attempt to gain sympathy for my situation..."* It is unfortunate that Mr G sought to mislead Lloyds in that call as it led to our Investigator thinking about a point that didn't need to be considered, albeit any relocation other than abroad wouldn't have automatically meant the mortgage needed to be redeemed as it could have been ported to another (suitable) property. But as this point is in dispute it hasn't formed part of my considerations when reaching this decision.

We're not the regulator, and I've no power under our terms of reference to comment on, or otherwise determine, how financial businesses operate in general terms. I have to consider this complaint by reference to Mr and Mrs G's particular situation. When I do that, I'm satisfied the terms of the ERC were set out in the mortgage offer in a way that should have been readily understandable to Mr and Mrs G; certainly, the information about the ERC was set out in a manner that met the regulator's requirements. So I'm persuaded Mr and Mrs G knew – or at least should have known – how much they'd have to pay if they repaid the mortgage before 30 April 2027.

Mr and Mrs G have said they were misled by information on Lloyds' website, which said:

***"How much is an early repayment charge?"***

*An early repayment charge is usually **between 1% and 5%** of what you still owe on your mortgage agreement.*

*You might be able to pay less if you have been with your lender a long time, but this is up to the lender. You can choose to pay your early repayment charge in one lump sum. This might make sense if the charge is lower than the amount of interest due on the rest of your mortgage.*

*When remortgaging your home, you may be able to spread your mortgage early repayment charge over the length of your new agreement."*

In our complaint form Mr and Mrs G said about their ERC *"I had reasonable [sic] expected this to be 1 or 2% maximum from their website guidance on long standing customer."* And to resolve it they said they wanted a refund equivalent to them only paying a 1% ERC instead of the 5% they paid.

It isn't clear why Mr and Mrs G expected the stated 5% ERC to instead be reduced to either 1% or 2% even if the information on the website was taken to be specific to Mr and Mrs G's circumstances. All it says is *"You might be able to pay less..."*. "Less" could be 1p, £1, £10, or £100, for example. There's no reason to assume it would be around £7,000 or £9,000 less (which a 2% or 1% ERC would have been).

In any event there is nothing to indicate that was in any way specific to Mr and Mrs G's mortgage and their circumstances. The information is clearly generic in nature, just referring to *"your lender"* rather than Lloyds and stating *"a long time"* (as well as *"less"* that I've covered above). If this was information specific to long term customers of Lloyds, then it would specify what *"a long time"* is, it would say *"Lloyds"* rather than *"your lender"* and it would quantify *"less"*.

It also says *"it is up to the lender"*, so even if it was specific to Lloyds' customers and Mr and Mrs G met the criteria for the length of time they must be a customer, it still had the clause that any reduction would be up to the lender. Mr and Mrs G asked Lloyds if their ERC could be reduced and Lloyds said no, which meets the criteria of *"up to the lender"*.

Mr and Mrs G said they didn't feel the need to clarify if it would apply to them when they applied for the product as they felt the information was pretty clear. That's unfortunate as had they done so, rather than applying online without the benefit of the input of Lloyds as to the suitability of the mortgage, then this would have been explained to them at the time.

There's nothing in that clearly generic information that should have led Mr and Mrs G to believe their ERC would be anything other than that was set out in their mortgage contract, and as I say even if it were to be read that it would be applicable to Mr and Mrs G then there's nothing to show that it would be anywhere near the amounts Mr and Mrs G have said; as I've said, 1p would be *"less"*.

Mr and Mrs G received a binding mortgage offer which set out the terms of the contract they were entering into (including the potential ERC if they ended the mortgage early). If they felt that didn't represent the ERC they thought they would be charged then they could have chosen not to proceed with the mortgage offer, or they could have contacted Lloyds at the

time to seek clarity on that point. Instead they accepted the mortgage offer and, when the mortgage completed, they then became bound by those terms, including the ERC clause.

Lloyds has apologised for not raising a complaint in June 2022 and I think that apology goes far enough. Mr and Mrs G weren't impacted financially by the delay in their complaint being dealt with as they were correctly told in June 2022 that the full ERC would be due.

I can see how strongly Mr and Mrs G feel about this, and I'm sorry to disappoint them, but there are no grounds for me to order Lloyds to refund any part of the ERC.

### **My final decision**

I don't uphold this complaint.

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 February 2024.

Julia Meadows  
**Ombudsman**