DRN-3950817

The complaint

Miss B and Mr S have complained that, because of difficulty in contacting Lloyds Bank PLC in late September 2022, they were unable to switch their mortgage interest rate product onto the rate they'd chosen, a five-year fixed rate at 3.26%. By the time they were able to speak to someone at the bank on 1 October 2022, the rate was no longer available and they had to choose a different product, a rate of 3.69% fixed until 31 January 2026.

To settle the complaint Miss B and Mr S want Lloyds to honour the 3.26% rate they had wanted.

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 B and Mr S being identified. So for these reasons, I will instead concentrate on giving 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.

Our investigator, in a very detailed letter dated 13 January 2023, explained why he didn't think Lloyds was under any obligation to offer Miss B and Mr S the rate they'd wanted. He was satisfied that the difficulty in Miss B being able to speak to Lloyds was as a result of things that were outside the bank's control. He didn't find Lloyds to have been at fault. The investigator also clarified that Lloyds had never offered Miss B the rate she wanted, as no formal application had been made for that rate before it was withdrawn.

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 generally rate switches can be done online, in this case it was necessary for Lloyds to give advice, as Miss B is a staff member, and as such there are potential tax implications in relation to any financial products taken out through the bank. Lloyds therefore had a legitimate reason why Miss B and Mr S needed to speak to the bank before applying for a new product.

In late September 2022 the bank was experiencing an unprecedented number of calls. This was as a result of a 'mini-budget' by the then Chancellor of the Exchequer which had taken place on 23 September 2022, and which threw the financial markets into turmoil, with an increase in Bank of England Base Rate and a knock-on effect on mortgage interest rates. Consequently, large numbers of customers (including those, like Miss B, on staff mortgages) whose interest rate products were due to expire tried to secure a new product before mortgage interest rates increased any further.

I’ve noted what Miss B has said about the inconvenience and trouble to which she was put in trying to get through to Lloyds, from 28 September 2022 until she was finally able to speak to someone on 1 October 2022. Miss B says that she was on hold to the bank for long periods at a time, and that the calls were cut off.

I agree with the investigator that it is more likely than not that calls were disconnected by the mobile phone network rather than the bank. I don’t know which network Miss B is on, but all networks have what is called a ‘fair usage’ policy. For example, o2’s policy specifies that calls are disconnected after 60 minutes and Virgin Mobile will disconnect calls at 60 minutes, because customers are charged for calls after 60 minutes and need to re-dial (these are just two examples of many similar policies by UK network providers that I have found online). Given this, I am not persuaded that Lloyds disconnected the calls, although I do understand why Miss B may have thought so.

Overall, whilst I acknowledge Miss B and Mr S’s frustration, I’m not persuaded Lloyds did anything wrong. There was no mortgage offer for the 3.26% five-year rate, because by the time Miss B managed to speak to Lloyds, that rate had been withdrawn. Simply selecting the desired product is not the same as making an application for it. With a fixed-rate product, the bank borrows a fixed amount in the wider markets so it can lend that money to customers at a particular rate of interest. Individual customers apply for a tranche of these funds and once all the tranches have been applied for, the product is withdrawn.

I fully acknowledge that Miss B and Mr S are unhappy that, by the time they spoke to Lloyds, the rate they wanted was no longer available. But overall I’m not persuaded Lloyds is at fault, or is under any obligation to offer the 3.26% five-year product to Miss B and Mr S. The difficulty in getting through to Lloyds was as a result of events outside the control of Lloyds, and so I’m unable to find that the bank has acted unfairly or unreasonably.

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 correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss B and Mr S to accept or reject my decision before 1 November 2023.
Jan O'Leary
Ombudsman