

The complaint

Mr and Mrs O's complaint is about their mortgage account with Lloyds Bank PLC. Mr O, who has dealt with the complaint throughout, says that he was unhappy with the amount of questions Lloyds asked when he applied for a product switch in August 2022. Mr O also says that he was told by Lloyds he could fix the mortgage at a monthly payment of £570, but the bank has now declined to do this.

To settle the complaint Mr and Mrs O want Lloyds to fix their mortgage payments at £573.49, backdate this to August 2022 and refund the excess paid by Mr and Mrs O on Standard Variable Rate (SVR).

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 Mr and Mrs O 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.

Briefly, Mr and Mrs O have an interest-only mortgage with Lloyds, which has been on SVR since 2011. In August 2022, when the mortgage had just over two years left to run, Mr O spoke to Lloyds to try to arrange a new fixed-rate product. This required a mortgage review so that Lloyds could recommend the most suitable product. However, Mr O wasn't happy about the questions Lloyds was asking, particularly in relation to the repayment vehicle for the mortgage.

As a result, no new interest rate product has been put in place, and Mr and Mrs O's mortgage repayments have increased. Mr O says that he'd discussed a rate that would have given him payments of about £570 a month, and he wants Lloyds to put this in place. However, Lloyds wasn't able to find a call where an interest rate that would generate payments of that amount was discussed.

Mr and Mrs O complained but Lloyds didn't uphold the complaint. The bank said it was entitled to carry out a mortgage review before recommending a new interest rate product. Lloyds also said that, given the length of time left to run on the mortgage, its questions about the repayment vehicle were justified. Lloyds said that Mr and Mrs O could apply for a new rate, subject to a mortgage review. Alternatively, Mr and Mrs O were free to speak to an independent financial adviser, if they didn't think Lloyds could offer them what they wanted.

Mr and Mrs O complained to our service. An investigator looked at what had happened but didn't think the complaint should be upheld. He was satisfied Lloyds was entitled to request information about the mortgage and the repayment strategy for the capital balance. He also wasn't persuaded Lloyds had ever offered a product at a payment of £570 per month.

Mr and Mrs O asked for an ombudsman to review the complaint. Mr O maintains that Lloyds has acted unfairly. He said that although he could have applied for a rate online, he didn't because this is optional. Mr O said that for his second property, the lender (not Lloyds) fixed a new rate for him in minutes.

Mr O said that the crux of his complaint is his dissatisfaction about the bank requesting information about the repayment vehicle, which Mr O felt was unnecessary, given that Lloyds already had the information in its records.

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.

I will explain first that the Financial Ombudsman Service is independent of both consumers and the businesses they are complaining about. This means that we don't act for consumers, nor do we take instructions either from consumers or businesses, or allow either party to direct the course of our investigations; were we to do so, it would compromise our independence and impartiality. It's up to us to determine what evidence we need in order to investigate a complaint. So although I've noted the questions which Mr O would like answered, it's not my role to put those questions to Lloyds or act as a representative or go-between on this case.

Mr and Mrs O took out the mortgage some years ago, and so any changes they want to make to the mortgage fall within transitional arrangements put in place by the regulator. The transitional arrangements are the rules introduced in 2014 by the Financial Conduct Authority ("FCA") as part of the Mortgage Market Review ("MMR"). MMR tightened up the rules on checking affordability. However, as highlighted by the FCA, the purpose of the transitional arrangements is to allow flexibility so that exceptions can be made to the affordability rules for existing borrowers as long as there is no additional borrowing and the proposed transaction is in their best interests.

This involves a degree of discretion on the part of the lender. The rule doesn't say that it must not apply the new requirements – it says that it need not do so. In this case, Mr and Mrs O wanted to vary the interest rate on their mortgage – which is a change to the mortgage. Their previous interest rate product had ended in 2011, after which the mortgage had been on SVR.

Mr and Mrs O could have applied for a new product online, in which case it would have been up to them to select the product which they thought best suited their needs. However, by contacting the bank to discuss this, Lloyds was then required to make a recommendation, which it could only do after gathering information about Mr and Mrs O's circumstances.

Given that the mortgage had only about two years left to run when Mr O spoke to Lloyds in August 2022, and that they'd not had a new interest rate product in place since 2011, I think it was reasonable for the bank to carry out a mortgage review in order to recommend the most suitable product. I also think it was also reasonable for Lloyds to ask about the repayment vehicle for the mortgage.

Mr O says that Lloyds already had that information in its records. However, things might have changed since the mortgage was originally taken out. I therefore don't think the bank acted unfairly in asking for this information.

Mr O spent a lot of time on the telephone with the bank, which I acknowledge he found frustrating. Mr O says that he was offered a rate which would have given him monthly

payments of about £570. However, I've listened to all the phone calls and I've not found any call where this was discussed, nor any product switch offer for repayments of that amount.

As I said above, Mr and Mrs O could, if they'd wanted to, have gone online to choose a new rate. But by asking Lloyds to advise them about a new rate, it was necessary for the bank to carry out a mortgage review. I know Mr O considers this to have been unnecessary and intrusive, but I'm not persuaded that it was. Because Mr O didn't want to complete the mortgage review, a new interest rate product hasn't yet been put in place. Overall, on the basis of the evidence, I'm not persuaded Lloyds is to blame for this.

I appreciate interest rates have increased since August 2022 and that this has impacted on Mr and Mrs O's mortgage repayments. Since the complaint was raised with us the Government has announced the introduction of the Mortgage Charter. The Charter includes various provisions which will help consumers worried about how they're going to pay their mortgage both at present and in the future. Further information about the Charter, and about the help Lloyds might be able to offer, can be found here:

<https://www.gov.uk/government/publications/mortgage-charter/mortgage-charter>.

In addition, as Lloyds has already said, Mr and Mrs O can, if they wish, complete a mortgage review with the bank. Because their mortgage only has about a year left to run on it, they won't be able to choose a new product online. Alternatively, Mr and Mrs O are free to speak to an independent financial adviser about other mortgage options that they might find more suitable to their needs.

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 Mrs O and Mr O to accept or reject my decision before 10 November 2023.

Jan O'Leary
Ombudsman