

The complaint

Mr and Mrs B's complaint is about a mortgage application they made to Lloyds Bank PLC. They are unhappy that Lloyds would not extend the expiry date of the mortgage offer they received from it, which would have allowed them to avoid paying an early repayment charge on their existing mortgage. As the mortgage offer was valid for less than what Mr and Mrs B consider is the industry average of six months, they want Lloyds to refund them the charge their existing lender applied when they paid that mortgage off. They don't consider they have been treated fairly.

What happened

Mr and Mrs B applied to Lloyds to re-mortgage their home in June 2022. At that time, they had a mortgage with another lender, which had an interest rate product attached. The interest rate product had a term that ran to 30 November 2022. This meant that up to and including that date, Mr and Mrs M would have to pay an early repayment charge (ERC) if they paid off the mortgage.

Mr and Mrs B applied to have a ten-year fixed interest rate product attached to their Lloyds' mortgage. The illustration they were provided with confirmed the product would be attached until 31 August 2032 and the mortgage needed to start on or before 30 November 2022. Mr and Mrs B decided to proceed with the application on that basis.

Lloyds accepted Mr and Mrs B's mortgage application and sent them an offer dated 21 June 2022. The offer stated that it would expire on 30 November 2022 and if they had not taken out the mortgage by then, they would need to contact Lloyds to make new arrangements. Mr and Mrs B accepted the offer.

In August 2022 Mr and Mrs B asked that Lloyds extend the mortgage offer by a day. It declined to do so at that time and also when they asked again in September 2022.

Mr and Mrs B complained that Lloyds would not extend the mortgage offer. It responded in its final response of 29 September 2022. The complaint was not upheld, but Lloyds told Mr and Mrs B that if they wanted the offer extended, they could select a different interest rate product, with a later closing date, to attach to it.

At the point Mr and Mrs B asked us to consider their complaint they had not received Lloyds final response letter. However, they had been told what the outcome was and were not satisfied with it. They asked us to look into the complaint.

Lloyds subsequently confirmed to us that it didn't have a set period for which mortgage offers were valid, such as six months, but rather the expiry date was based on the date the product applied for would cease to be available. It provided evidence of the ten-year interest rate products that had been available at the time Mr and Mrs B applied and all of them had to complete by 30 November 2022. While the expiry of an offer didn't mean a mortgage would not be granted to a customer, they would need to select a product that would still be available on the day of completion.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld.

Mr and Mrs B said they were disappointed with the Investigator's conclusions. They asked that he consider whether Lloyds' policy was fit for purpose and whether it properly considered and catered for the needs of customers in a rising rate environment. They went on to comment on what they thought was wrong with the policy and reiterated that they didn't consider that extending the completion date of the offer represented any risk to Lloyds.

The Investigator was not persuaded to change his conclusions and Mr and Mrs B asked that the complaint be passed to an Ombudsman for review.

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.

As our Investigator explained, there is no regulatory requirements for how long a mortgage offer has to be in place before it expires. That said, a lender must treat a customer fairly when setting the terms of any offer it makes and when considering any requests made from those customers in relation to them. However, treating a customer fairly does not mean giving them whatever they want.

Mr and Mrs B are correct that some lenders have a set period that all mortgage offers are valid for, which will vary depending on the lender and the type of mortgage offer being issued. The length of time the offer is available will at times vary depending on industry conditions too. However, some lenders set expiry dates based on other parameters. In the case of Lloyds for a new mortgage offer it bases the expiry date of the offer on the expiry date of the interest rate product requested alongside the borrowing. This is not an unreasonable approach. I would also point out that even where a lender gives a set number of months for a mortgage offer to complete, that timescale will not extend beyond the end availability date of a requested interest rate product.

In this case Mr and Mrs B applied for their re-mortgage slightly over five months before their existing mortgage product (and the associated ERC) ended. They did so directly and without assistance or advice from Lloyds. As part of the application process an illustration was produced for Mr and Mrs B. This confirmed the details of the mortgage they were proposing to apply for and explained:

'The illustration is only valid on the day of issue. Until you have made a full application and accepted the illustration the availability of mortgage product(s) could change. The mortgage must start on or before the 30th November 2022.'

When Lloyds accepted their full application it sent them a mortgage offer. This again set out the mortgage that had been agreed and highlighted:

'Offer expiry

This offer will expire on 30th November 2022. If you have not taken out your mortgage by then, you will need to contact us to make new arrangements.'

I am satisfied that Mr and Mrs B were aware that they needed to complete their re-mortgage on or before the ERC on their existing mortgage ended, both when they applied for the mortgage and when they accepted the offer Lloyds made them. As such, it would appear

that they would have been aware at both of those times they would need to pay the ERC they are now asking Lloyds to reimburse.

I would also comment that when a lender borrows money to be able to offer preferential interest rate products, there will be parameters set on that borrowing. In light of this a lender will also set parameters on the products that the money is used for. That will include setting a period during which the products will be available and the total amount that can be lent within those products. All lenders do this and there is nothing wrong with them doing so.

Mr and Mrs B applied for a product that was only available until 30 November 2022 in the full knowledge of that fact. They were also made aware that if they didn't complete on the mortgage on or before that date, they would need to make alternative arrangements if they still wanted the borrowing. They then asked Lloyds to alter the product for their convenience. Lloyds declined to do so, as it was entitled to do. While Mr and Mrs B think this decision was unfair as they asked at an early stage for the alteration, I don't agree. It would not matter when in the period the product was available they asked, Lloyds was entitled to decline to alter the product for them.

I am aware that Mr and Mrs B will be disappointed with my conclusions, but I can't find that Lloyds treated them unfairly or acted unreasonably in its dealings with them. I can only find that Mr and Mrs B applied for, and accepted, a mortgage and interest rate product in the full knowledge that they would have to pay the ERC on their existing mortgage in order to obtain the product they wanted. If they had wanted to avoid paying the ERC on their existing mortgage they had the option to select an alternative interest rate product that was available at the point they could pay off their existing mortgage without charge, but they chose not to take this option. In the circumstances I cannot find that Lloyds did anything wrong in its dealings with Mr and Mrs B or that it should reimburse them the ERC they paid as part of the re-mortgage arrangements.

My final decision

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 February 2024.

Derry Baxter
Ombudsman