

## **The complaint**

Ms M complains that Lloyds Bank PLC unfairly declined to extend the term of her interest only mortgage. She asks that it extends the term and applies an interest rate product available in mid-2022.

## **What happened**

Ms M has an interest only mortgage with Lloyds. The term is due to expire in 2026. In mid-2022 Ms M asked Lloyds to extend the term. This would allow her to take out a five-year fixed rate product. And she says she can't repay the mortgage and her circumstances mean she can't sell the property and downsize.

Our investigator said Lloyds applied its lending criteria correctly when it didn't agree to extend Ms M's mortgage on interest only terms. He said while Lloyds didn't call Miss M back as agreed in mid-2022, it wasn't fair to require it to apply a product available at that time.

Miss M didn't agree. She said it shouldn't have taken Lloyds over 12 months to say it wouldn't extend the mortgage term. She says she suffered financially as a result.

## **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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Ms M wants Lloyds to extend the term of her mortgage on an interest only basis to 2032.

Ms M called Lloyds in August 2022. Lloyds told Ms M she'd need a suitable repayment vehicle for it to extend the mortgage term on an interest only basis (which Ms M didn't have). Ms M asked about lifetime mortgages and Lloyds said she'd need to take independent financial advice as this isn't something it offers. Lloyds said it couldn't extend the mortgage but could look into a new fixed rate product. Ms M ended the call as she had an appointment.

I think Lloyds gave Ms M a fair explanation of the situation at that time. I don't think it's fair to say that it took Lloyds 12 months to tell Ms M that it wouldn't extend the term. And it said Ms M could still take out a new product. It seems Ms M was aware of this as she called Lloyds about taking out a new product in early September 2022.

Ms M spoke to Lloyds in early September 2022 about taking out a new fixed rate product. She could only take out a two-year product, as there was about four years left on the mortgage term.

The two-year product had a higher interest rate than Ms M's tracker rate at that time. Ms M said she wanted to go ahead as she expected rates to rise. However, she didn't have time to

complete the review with the mortgage adviser at that time and she declined the adviser's offer to book her an appointment. The adviser told Ms M that she couldn't take out a product without talking to a mortgage adviser as her mortgage was on interest only terms.

Ms M told Lloyds on several calls after this that she didn't want to speak to a mortgage adviser. Later in September 2022 Lloyds made an appointment for Ms M with a mortgage adviser. Lloyds says the mortgage adviser left a message for Ms M on 23 September 2022 confirming the appointment, but it has no record of the appointment taking place. Ms M said in her complaint to Lloyds that she'd had to cancel this appointment as she was going away. And she wanted Lloyds to apply the rate she'd discussed with it in early September 2022. While Lloyds doesn't have a record of why the appointment didn't happen, given what Ms M said I think Ms M most likely cancelled the appointment.

Ms M made a complaint and following this Lloyds' end of term team discussed Ms M's options with her. It said moving onto repayment terms wasn't affordable and it couldn't extend on interest only terms as Ms M didn't have a repayment vehicle. I think it was fair for Lloyds to look more carefully into Ms M's circumstances and her request to extend the term. While this inevitably meant the matter went on for longer, I don't think this means Lloyds treated her unfairly.

Lloyds accepts some of its service was poor. It didn't call Ms M back in August 2022 when it said it would. Some of Ms M's calls were cut off. Lloyds paid £200 compensation for this, which I think is fair. I don't think this caused Ms M financial loss. I think the reason Ms M didn't take out a new product in mid to late 2022 is because she didn't attend a meeting with a mortgage adviser and apply for a new product. I don't think Lloyds was responsible for that. Lloyds told Ms M in August 2022 (and a number of times after) that she could take out a new fixed rate product without her mortgage being extended. It told her she'd need to talk to a mortgage adviser about this as her mortgage was on interest only terms. And it offered appointments to Ms M.

In the circumstances, I don't think it's fair and reasonable to require Lloyds to apply an interest rate product available in mid-2022 to Ms M's mortgage, or pay further compensation.

Ms M's mortgage term is due to expire in 2026. Ms M could consider taking independent financial advice to explore her options to repay the mortgage. It seems she owns other properties and has pension funds so she might have options other than to sell the property. Lloyds says she can talk to its end of term team again in future if she's not in a position to repay the mortgage, to see what her options are.

In the meantime, Ms M can still take out a new fixed rate product (although she should bear in mind a fixed rate product is likely to have an early repayment charge). She should contact Lloyds if she wants to discuss this with a mortgage adviser.

### **My final decision**

My decision is that I do not uphold this complaint. That's because I think the compensation paid by Lloyds Bank PLC is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 15 November 2023.

Ruth Stevenson  
**Ombudsman**