

The complaint

Ms Y has complained about a mortgage she holds with Lloyds Bank PLC. This complaint relates to Ms Y's mortgage payments increasing on the standard variable rate ("SVR").

The mortgage is held jointly with two other parties – Mrs R and Mr C - but, whilst they've joined this complaint as eligible complainants, we've only been dealing with Ms Y as she is the party living in the property and paying the mortgage. For that reason, I'll simply refer to Ms Y in this decision, but that should be taken to mean the other parties as well where appropriate.

What happened

Ms Y took out this mortgage many years ago, and I understand the mortgage has been on the SVR since 2012.

In July 2022 Ms Y raised a complaint with our service. She said:

"I am on a variable mortgage which at the moment I cannot get out of. Of course as the base rate has gone up so has my mortgage 5 times this year. I have just received a letter from Lloyds to say they are now putting up my mortgage by another 0.25% for no reason. I do not think this is the right way for Lloyds to be treating their customers that are already struggling knowing our mortgage has gone up 5 times already in a matter of months. Can Lloyds just do this because they want to? With the cost of living crisis do they not have a duty of care to their customers to do the right thing and help us that are being crippled with already high mortgages, bills, food and petrol going up? Please help."

To put things right she said she wanted the lender:

"To not add on this extra 0.25% because they want to make more money out of these customers that are struggling already."

We passed the complaint to Lloyds and it responded on 1 August 2022.

In its response Lloyds said the Bank of England Base Rate ("BoEBR") is one factor it takes into account when it reviews its SVR, and the BoEBR had increased by 0.25 percentage points, and it had reflected that change with a 0.25 percentage points increase in its SVR. Lloyds also said that it could consider some options, such as a new preferential interest rate, but for that Ms Y would need to speak to a mortgage adviser. A phone number was provided so she could discuss that.

I understand there was some back and forth between Ms Y and Lloyds, with further complaints being raised. But as our Investigator explained, those other complaints don't form part of this referral. This referral just deals with the original complaint that was made to our service in July 2022; that is the increase in Ms Y's interest rate.

Our Investigator set up a new complaint for Ms Y for the other issues, so if Ms Y wants us to look into those then she should contact our Investigator to get that progressed.

Our Investigator didn't uphold this complaint. She said the BoEBR had increased which had led to increases in the SVR, and as it is a variable rate it will change in that way. She said if Ms Y wanted to avoid further rate changes she would need to apply for a new interest rate product, and that Lloyds had put forward a way she might be able to do that without needing all parties to sign to agree.

Ms Y didn't agree, but her responses mainly related to the parts of the complaint we're not dealing with under this referral, they related to the new complaint our Investigator had set up. Ms Y said her complaint was never about the interest rate going up generally, just about one increase Lloyds had made that wasn't anything to do with the BoEBR, and also about how Lloyds had treated her.

Our Investigator reminded Ms Y the complaint about how Lloyds had treated her would be dealt with separately and this referral just related to the interest rate issue. And she confirmed there hadn't been any recent increases that weren't anything to do with the BoEBR.

Ms Y asked that the complaint be referred to an ombudsman 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.

To be clear, this decision is only relating to the complaint Ms Y made in her complaint form she submitted to this service in July 2022, the content of which I quoted earlier in this decision. We have another complaint set up for the other issues and Ms Y needs to contact our Investigator directly about that.

Ms Y has said *"My grievance initially was about the rise in the interest rate of 0.25% that Lloyds added last year which was not a rise in the interest rate bound by the Bank of England"*.

The letter Ms Y sent to us with her original complaint referral was from July 2022 and that said Lloyds was increasing the interest rate on her mortgage by 0.25% from 1 August 2022. It said that change was in addition to the increase of 0.25% it applied from 1 June.

I can see why that may have led Ms Y to believe it was an additional increase, rather than a rise relating to the BoEBR, but that isn't the case.

The 0.25% increase Lloyds applied from 1 June related to the BoEBR increase on 5 May 2022, and the letter increasing it by another 0.25% from 1 August related to a further BoEBR increase on 16 June.

Date	BoEBR	Ms Y's rate	Percentage change
16 December 2021 1 February 2022	0.25%	2.25%	0.15%
3 February 2022 1 March 2022	0.50%	2.50%	0.25%
17 March 2022 1 May 2022	0.75%	2.75%	0.25%
5 May 2022 1 June 2022	1.00%	3.00%	0.25%
16 June 2022 1 August 2022	1.25%	3.25%	0.25%

From the table above it can be seen that Ms Y's rate has moved in line with the BoEBR, with each change to her interest rate happening a month or so after the BoEBR changed. There wasn't an additional increase (outside of the BoEBR increases) in 2022 as Ms Y believes.

Ms Y's mortgage is on the SVR, which means the rate will vary. BoEBR is one of the factors that is taken into account when Lloyds varies the rate and having considered everything I can't say Lloyds has acted inappropriately in increasing Ms Y's interest rate in 2022 as it increased it in line with BoEBR changes.

In its response to the complaint Lloyds explained that Ms Y may be able to apply for a new interest rate product and said she would need to speak to a mortgage adviser. I understand there may have been issues arising from that, but those form part of the other complaint. They're not something I can consider here.

In summary, Lloyds didn't act unreasonably when it increased Ms Y's interest rate in 2022, and I consider its offer to consider what options may be available to Ms Y was fair.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y, Mrs R and Mr C to accept or reject my decision before 30 October 2023.

Julia Meadows
Ombudsman