

The complaint

Mr and Mrs W's complaint is about their mortgage account with Lloyds Bank PLC. Mrs W, who has dealt with the complaint throughout, says that she was told that the reversionary rate on sub-account 2 of the mortgage was Standard Variable Rate (SVR). However, this was, in fact, incorrect and the sub-account reverted to Lloyds Homeowner Variable Rate (HVR) instead.

To settle the complaint Mr and Mrs W want Lloyds to put sub-account 2 onto 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. Lloyds has acknowledged it made an error, so all I need to decide is what needs to be done to put things right.

In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs W 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.

The mortgage was in two parts. The original mortgage began in October 2008. This was redeemed in August 2017 and used to port (transfer) £290,237 onto a new mortgage. This is sub-account 1, and was on SVR.

Additional borrowing of £442,423 was taken out on a fixed rate until 31 May 2022. The mortgage offer says *"After 31/05/22 the rate that will apply is Lloyds Bank Homeowner Variable Rate, currently 3.74% until the end of the term."* This is sub-account 2.

On 21 April 2022 Mrs W spoke to Lloyds and asked what rate sub-account 2 would go onto after 31 May 2022. She was incorrectly told it was SVR.

Lloyds acknowledged it incorrectly told Mrs W on 21 April 2022 that sub-account 2 would revert to SVR and paid £75 for this mistake.

However, Mr and Mrs W weren't happy with this and escalated the complaint to our service. Mrs W said that she and Mr W had never been told that any part of their mortgage would move to HVR.

Mrs W said that HVR hadn't been introduced until 2019, and some time after taking out the mortgage she and Mr W had received a letter stating that HVR, not SVR would apply to the fixed-rate part of the mortgage when it came to an end. Mrs W said she thinks it is unfair that Lloyds is allowed to change the terms of the mortgage and switch sub-account 2 onto HVR when it was originally meant to revert to SVR.

However, the investigator explained that the mortgage offer showed that sub-account 2 would revert to HVR. Mrs W said that wasn't the case and that she had a mortgage offer which showed that sub-account 2 would revert to SVR. The investigator asked Mrs W to send a copy of this mortgage offer, but it wasn't provided. Instead Mrs W sent the cover letter for the mortgage offer.

The investigator thought the £75 paid by Lloyds for mistakenly saying that sub-account 2 would revert to SVR was fair and reasonable, but Mrs W didn't agree and asked for an ombudsman to review the complaint.

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.

First, I'm satisfied that the mortgage offer shows that sub-account 2 will revert to HVR when the fixed rate comes to an end on 31 May 2022. If Mr and Mrs W had read the mortgage offer, I'm satisfied they'd have been aware of this, as it is shown prominently in a box where the interest rates that apply to both parts of the mortgage are set out. So Mrs W is mistaken in her belief that HVR only came into existence in 2019, as clearly it existed in 2017 when the mortgage offer was issued.

In her conversation with the investigator Mrs W said that she'd had a letter saying the fixed rate part of the mortgage was being changed from SVR to HVR. Mrs W said that Lloyds was in breach of regulations by doing this, as it couldn't make changes to the mortgage contract.

But I've looked at the 2017 mortgage offer and this says that HVR would apply to sub-account 2 as a reversionary rate. Mrs W hasn't provided either a copy of a mortgage offer showing sub-account 2 being subject to SVR, or a copy of a letter from Lloyds saying that SVR was being replaced by HVR on sub-account 2. I am therefore not persuaded by Mrs W's arguments in this regard, as they are not supported by any evidence to corroborate what she has said.

Lloyds has accepted it made a mistake when Mrs W was told that sub-account 2 would revert to SVR. Where a business has made a mistake we look to see what the impact of that mistake is, and what would have happened if the mistake hadn't been made.

The mistake – and I must make this clear – was not that Lloyds had made an error about which rate the sub-account would move onto. Rather, the mistake was that Mrs W was told (incorrectly) that the reversionary rate was SVR, rather than the actual rate of HVR.

Therefore, if the mistake hadn't been made, Mrs W would have been told (correctly) that the fixed rate part of the mortgage would revert to HVR. So for a short period Mr and Mrs W were under the impression that the fixed-rate part of the mortgage would be on SVR when it would always have been reverting to HVR.

Consequently, there is no basis whatsoever on which it would be fair or reasonable for me to order Lloyds to switch sub-account 2 onto SVR; that's not the rate that applies to this part of the mortgage. From 2017 Mr and Mrs W have known that after 31 May 2022 that part of the mortgage would revert to HVR, because it says so quite clearly in the mortgage offer.

In the circumstances I'm satisfied that the £75 already paid by Lloyds for mistakenly telling Mrs W that sub-account 2 would revert to SVR when, in fact, it was always going to revert to HVR is fair and reasonable. I therefore make no other order or award.

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 W and Mr W to accept or reject my decision before 29 November 2023.

Jan O'Leary
Ombudsman