

## **The complaint**

This complaint is about a phone enquiry Mr R made about taking out a mortgage with Lloyds Bank PLC. In the first conversation, Lloyds told him it couldn't help him but then in another conversation the next day, indicated it might be able to consider an application after all.

Unfortunately, interest rates had risen overnight, and unsure whether Lloyds would agree to lend the amount he wanted at the rate discussed the previous day, Mr R went to another lender. That application was successful, but again at a higher rate. Mr R thinks Lloyds should reimburse him for having lost out on the rate under discussion in the first call.

## **What happened**

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Instead I'll focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of 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.

Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

Lloyds didn't have any obligation to agree a mortgage for Mr R. The starting point here is that no one is entitled to borrow money and lenders aren't obliged to lend it. Any application for a mortgage is subject to lending policy and criteria – and the consumer's individual circumstances - as they stand at the time the request is made. Lenders can, but aren't obliged to, make their lending policy known to the public at large. They can if they wish regard the policy as commercially sensitive.

I've no regulatory function; it's not my role to decide what Lloyds's lending policy (or any lender's for that matter) on affordability should be. If Lloyds is reluctant to lend on a property, that's a matter for its commercial judgement. But it should apply that policy fairly. In Mr R's case, however, it's important to remember that he didn't actually submit an application for Lloyds to consider and apply its policy to.

Mr R has said that his first conversation included what amounted to a decision in principle to lend him the £79,000 under discussion at that point. I don't find that a persuasive argument.

Firstly, it's standard industry practice for decisions-in-principle to be issued in writing, which didn't happen here. Also, when a lender does issue a written decision-in-principle, that doesn't amount to a commitment to lend. It's no more than an indication of what a lender would be willing to lend after an application has been made, all underwriting checks have

been carried out and the outcomes of those checks have all met the lender's requirements in full.

When Mr R and Lloyds spoke the next day, the advisor explained that with a number of keying amendments, an application for £73,000 might be successful, and if those amendments had been made the day before, it might have been able to accept an application for £79,000 at 4.95%.

So yes, it's possible that Mr R might have been able to make application to Lloyds that, if it passed all underwriting checks, would have resulted in a mortgage offer for £79,000 at 4.95%. But it's also possible that the application might not have passed all of the underwriting checks. Or it might have passed all underwriting checks so that a mortgage offer could be issued, but for £73,000, not £79,000.

In either situation, Mr R would then have found himself having to start the process of applying to a different lender several weeks after than he actually did, and possibly at a higher rate still than the 5.54% he managed to secure.

It's my understanding that Mr R did need the full amount, and if he was able to obtain a mortgage for £79,000 elsewhere, that doesn't change my conclusion. Each lender will have its own appetite for risk and set its lending policy accordingly.

After the second conversation, Mr R was faced with a choice between two unwelcome alternatives; abort the proposed application and look elsewhere, or continue with Lloyds by submitting an application that might or might not result in an offer of less than he wanted. He went with the former, and that, of course, was his prerogative.

But whilst I imply no criticism whatsoever of the decision Mr R made, it was his choice, and there's no reasonable basis for me to order Lloyds to reimburse him the extra cost of the mortgage he now has over the cost of the mortgage he might have had from Lloyds. The service Mr R received from Lloyds wasn't all that it should have been. Lloyds has apologised and offered £60 compensation for his time and trouble. In my view, that a fair offer for what was a relatively short and minor inconvenience.

### **My final decision**

My final decision is that a fair resolution is for Lloyds Bank PLC to pay Mr R £60 in full and final settlement of this complaint. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 July 2024.

Jeff Parrington  
**Ombudsman**