Ombudsman Decision
CIFO Reference Number: 24-000166
Complainant: Mrs R
Respondent: Lloyds Bank Corporate Markets plc, trading as Lloyds Bank International, Jersey branch

Complaint and Outline Background

The complainant, who I shall refer to as Mrs R, brings a wide-ranging complaint about Lloyds Bank. The complaint has its origin in the lending facilities the bank provided to Mrs R in respect of her properties. In summary, she specifically identifies:

- misconduct and mistreatment by several members of the bank's staff;
- a lack of due care and timeliness;
- feeling pushed to sell assets; and
- not having been identified as 'vulnerable' at the earliest opportunity.

In outline, Mrs R considers that the poor service she received from Lloyds led to her suffering significant financial losses, including losing a redundancy payment, savings, a shares package, and a pension/investment fund. In addition, Mrs R has said that her health has been adversely affected by the stress and anxiety she experienced, as well as not being able to secure alternative borrowing at good rates from another provider. She seeks compensation of at least £100,000 from Lloyds.

[1] Financial Services Ombudsman (Jersey) Law 2014 Article 16(11) and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 Section 16(10)

Provisional Decision

Mrs R's complaint was initially considered by another ombudsman, who issued a Provisional Decision on 4 November 2024. I attach a copy of that Provisional Decision; it should be read in conjunction with what I set out below, and it forms part of my Final Decision. (Note: to preserve Mrs R's anonymity I have edited the Provisional Decision slightly, removing any references to her full surname.)

By way of his Provisional Decision, the previous ombudsman found – in summary, and on the specific points he considered to be the main issues relevant to Mrs R's complaint:

1 - £44,000 retention for works: while Lloyds accepted it had made an error in sending some of that amount to the advocate, he was not persuaded that the bank's action in doing so had made a material adverse difference to Mrs R's overall financial situation.

2 – LW's lack of compassion: despite the limited documentary evidence, he was satisfied that something had happened – which, in turn, had an adverse impact on Mrs R.

3 – Initial Complaints about JB: in light of the delays and Mrs R's then financial position, he wasn't satisfied that Lloyds had treated Mrs R fairly. She had been reliant on the bank to deal with things effectively, but it had provided her with a poor level of service – which, in turn, had caused her both distress and inconvenience.

4 – Complaints about DM: the ombudsman concluded that the further delays hadn't been justified, including the time it had taken to resolve a miscalculation, all of which caused Mrs R additional and unnecessary distress. He did not find, however, that there was enough to show that DM had shouted at Mrs R or had been dismissive towards her.

5 – Complaints about JB from 2023: whilst the messaging could have been handled better, overall he found that JB was trying to be as helpful as he could.

6 – Vulnerability: the bank put mechanisms in place to support Mrs R when she was clearly in a perilous position. However, whilst accepting that Mrs R was in a vulnerable position, that was not – of itself – a persuasive reason to have expected the bank to have lent her more money.

Overall, the ombudsman concluded that, whilst there had been delays and poor service by the bank, he did not find that Lloyds had compelled Mrs R to sell assets. Other factors – especially the adverse impact of the actions of the builders she had engaged – had a very significant and detrimental effect on her and her financial situation. The ombudsman felt that Lloyds had been trying to support Mrs R by exploring what assets she did have – to enable her to maintain her payments, and to avoid default.

Bringing all aspects of the complaint together, and noting that Lloyds had already paid Mrs R £500 compensation, the previous ombudsman's recommendation was that the bank should pay her an extra £1,000.

Subsequent Submissions

Lloyds accepted the ombudsman's Provisional Decision, but Mrs R did not. Very much in summary, she said:

- The ombudsman had misunderstood a number of issues. No renovations had been required – initially, at least – to her original home (although it had, at the bank's insistence, been divided into two titles – the main part, and the annexe – for them to be let individually). She had intended to move into her new property once the purchase had been completed but, because of the damage which had occurred since she first saw that property, she could not do so. In other words, the bank's facilities were not intended to provide funding to renovate her existing property before being let.

- It remained unclear why the bank had not retained the full £44,000, as had been agreed, instead only retaining a little under £18,000. If Lloyds had retained the full £44,000, the initially-required remediation work at the new property would still have been done. But because of the further damage she had to stay at her old property until the new one was habitable. That meant she could not let her old property, and so could not receive rental income from it.

- She suffered a significant adverse financial impact arising from JB's delays in 2022. He quickly identified her vulnerability and said he would help her to bring the properties up to a habitable standard by getting quotes – against which the bank would lend. She realised this would entail her accepting an additional financial burden, and she also accepted that the bank needed to protect its position. However, in the event, only one quote – and an expensive one at that – was obtained. If JB hadn't made the proposal he had in early 2022, and if he hadn't kept her waiting for so long, she would have sought private finance when interest rates were much lower than they were by late 2022.

- She acknowledges that the bank has since tried to help her, and she is appreciative of the approach of the people she's now dealing with.

My Further Enquiries

On reviewing the substantial amount of information provided by both parties to the complaint I nevertheless felt I needed some further clarification relating to the events in 2022 – in particular, the timeframe and the delays about which Mrs R had complained. In late January 2025 I put some questions to the bank about this, to which I received an initial response the following month. But that led me to seek further clarification – on which, despite some 'chasing', I did not receive a full follow-up response until early April.

That, in turn, led me to seek some further input from Mrs R – to which she replied early the following month with six separate emails containing extensive copy correspondence between her and the bank between 2022 and 2024. It has taken me some time to review and consider the content of all those emails, but – having now done so – I have been able to complete my final review of Mrs R's complaint. So I am now in a position to issue this Final Decision.

Findings

I have considered the available evidence and arguments in order to decide what is, in my opinion, fair and reasonable in the individual circumstances of this complaint. Where necessary and/or appropriate, I reach my decision on the balance of probabilities; that is, what I consider is most likely to have happened (or should have happened), in light of the available evidence and the wider surrounding circumstances.

In setting out the background to this complaint, and acknowledging that this Final Decision is a lengthy document, I have nevertheless condensed the submissions both parties have provided to me – distilling what I consider to be the main points so that I may focus my findings and conclusions on what I consider to be the key themes and issues which emerge from all I have received. I take this approach because of the framework under which CIFO operates, having been set up to consider complaints about financial services providers in the Channel Islands as an informal alternative to the civil courts. However, for the avoidance of any doubt, I confirm that I have considered everything that has been provided to me.

There's no doubt that Mrs R has been through a traumatic period. Upon buying her new property she discovered significant damage – caused by a flood arising from roof problems. This, along with other previously-identified remediation work, needed to be put right before she could move in. In addition, after a lengthy delay in the supply and delivery of the new kitchen for her old property (as recommended by her agent), the builders she instructed – who said other work was also needed – caused extensive damage, so Mrs R had to dismiss them. Alongside all of that, Mrs R was made redundant from the bank, and she suffered health problems. Because her subsequent income was much lower than she'd expected it to have been she used her own money, including her redundancy payment and, eventually, her pension fund, to keep her loan repayments up-to-date.

The central question I need to address by way of this Final Decision is this: did Lloyds act wrongly towards Mrs R, at one or more times during the overall period, causing her to suffer either a direct financial loss and/or significant distress and inconvenience for which a formal award of compensation should be made? The previous ombudsman concluded that the bank had indeed acted wrongly towards Mrs R, but he did not consider that its actions had led her to suffer a direct financial loss. That is why the compensation he recommended was limited to reflecting the distress and inconvenience she had experienced.

In responding to the Provisional Decision Mrs R focused on two principal issues – the apparent misunderstandings by the previous ombudsman and the impact on her of JB's delays in 2022. In reviewing her complaint I have, however, considered all the circumstances afresh. For ease and consistency, I set out my findings in the same order as the previous ombudsman did in his Provisional Decision. I doing so I have taken note of all Mrs R has said about the previous ombudsman's misunderstandings, and I make my findings on the basis of the clarifications she provided to him – most particularly during their lengthy phone call in November 2024, which was recorded and which I have listened to in its entirety.

The Previous Ombudsman's Misunderstandings

During the November 2024 phone call, and in her follow-up email, Mrs R explained to the previous ombudsman the true position relating to her properties – which, in summary, was that she did not borrow to fund two investment properties. Rather, she already owned one (with a bank mortgage) and she bought another, to be her new home, with the further help of the bank. The original property had an annexe, which she let, but the bank required her to divide the single title into two separate titles. The intention was that both parts of that previously-owned property were to be let once Mrs R had moved into her new home. However, the move was delayed because of the remediation work required at the new property.

I'm satisfied that this explanation helped the previous ombudsman better understand the position, as it did me on starting to review the complaint. Of itself, however, I do not consider that any possible misunderstandings by the previous ombudsman had a direct bearing on his provisional conclusions or his recommendation as to how the overall complaint should fairly be settled.

The Retention

Here, I find that I have come to the same conclusion as the previous ombudsman did.

There appears to be no dispute that the bank released more money on drawdown than it should have done, leading to a reduced retention. But that money was used to pay for things which Mrs R always had to pay for – including stamp duty and legal fees. If the bank had not released that extra money (albeit in error) it's unclear how Mrs R would have paid for at least some of those things. But, either way, it's also the case – as the previous ombudsman noted – that the costs involved in doing the necessary work had to be met from somewhere in order to make the new property habitable.

So, whilst Lloyds clearly made an error, like the previous ombudsman I'm not persuaded that the error made a material difference to Mrs R's overall financial situation.

Complaints about LW

Here, I also find that I have come to broadly the same conclusion as the previous ombudsman did.

Documentary evidence remains scant, and it's not a point Mrs R particularly focused on in her subsequent submissions or during the November 2024 phone call. But I agree that the one relevant email exchange we have available, dating from January 2022, does suggest some confusion by the bank's adviser. It also reflects Mrs R's concerns about animosity on calls and a breakdown in communication between herself and LW, leading to her asking to be passed to another adviser – as happened.

I therefore find, on balance, that Mrs R's interactions with the bank around that time are likely to have caused her some anxiety and potential distress for which she should fairly receive some compensation. I will revisit this later in this Final Decision, when I assess the overall level of compensation Lloyds should pay to Mrs R.

Complaints about JB in 2022

It's evident, in my view, that Mrs R's dealings with the bank during 2022 through JB remain her principal concern. She focused primarily on this in her response to the previous ombudsman's Provisional Decision, and subsequently in the further evidence and information she provided (although those submissions did also cover some later events).

There are a number of blended issues here, where I believe it's relevant to bear in mind that Mrs R is a former member of the bank's staff – from which she was made redundant in late 2021. So she already knew something about the bank's processes, and several members of staff – including JB. The email exchanges between them during the course of 2022 reflect a degree of warmth and mutual respect, including JB's willingness to try to help Mrs R and her expressing her gratitude for that help.

There's no real doubt, in my view – as the previous ombudsman found – that delays did occur during 2022. From taking on the relationship in March 2022 (which was a cause of some relief to Mrs R), things were put in motion the following month. These included JB's preparedness to obtain a quote for the work needed at Mrs R's properties – which I consider was unusual, and which I believe reflected the fact that they already knew each other as former colleagues and his desire to help her. Here, though, there's some dispute as to whether JB was to obtain just the one quote. Mrs R says he agreed in the prior meeting to obtain more than one, but JB's confirmatory email dated 5 April 2022 simply refers to 'a quote' (i.e., in the singular).

Either way, though, things then stalled; for example, it was not until June that the bank's surveyors were engaged. They had been slow to respond; Mrs R 'chased' JB about this, and he in turn followed up with the surveyors. But knowing the difficulties in which Mrs R was by then finding herself I consider the bank should have been more pro-active in progressing things with the surveyors. However, on the other hand, once the surveyors had been engaged JB told Mrs R in late June that he was getting advice on the next steps, to which she replied in early July – along with, once more, expressing her gratitude.

But progress then slowed down again. Mrs R wrote to JB in mid-September saying how worried she was becoming. Because the repairs had not been carried out she could not let her property, and she also told JB that all her redundancy money and other savings had by then been used up. She followed this up in November by saying she needed to make some decisions, and she asked where things were with the new funding proposal. Then, the following month, Mrs R told JB that – because she was so short of money – she was cashing in her pension fund.

During this period JB discussed Mrs R's situation with the bank's Credit and Risk department – when he submitted her income and expenditure figures ahead of, and in preparation for, submitting a formal application – and he also met the surveyors. JB also asked Mrs R if she had any shares (which she confirmed she did) – although I note that JB did clearly say that he was not suggesting she should sell them. My interpretation of this is that his question was more about establishing the total value of her assets rather than anything else. However, a further difficulty emerged in October when JB learned, during a meeting with Mrs R, that she owned her investment property through a company, rather than directly. That led him to tell her that the bank did not provide 'buy-to-let' mortgages.

The point which over-arches all of this, though, is that – during the course of 2022 – interest rates were rising. In February, base rate was at 0.50% but by mid-June it had increased to 1.25%, by mid-September it was up to 2.25%, and it ended the year at 3.50%. The issue for Mrs R was not only that any lending the bank might in due course provide was becoming progressively more costly but, if Lloyds would not lend, the cost of alternative private lending was also rising. Mrs R suggests that Lloyds should have been more alert to this than it apparently was, and that its delays not only caused her distress and inconvenience but financial loss arising from ultimately having to borrow at higher rates.

What is clear to me, as it was to the previous ombudsman, is that – because of the delays that occurred – it would be right for Lloyds to pay Mrs R some compensation to reflect her distress and inconvenience arising from them. But the more difficult point is the assessment of whether the bank should be required to reimburse her for any of the financial loss she has claimed.

It's certainly arguable that the bank, through JB, might reasonably have been in a position to clarify its preparedness (or otherwise) to lend further to Mrs R sooner than it did. But there's also a risk that we're now assessing the impact of this with a degree of hindsight – most particularly around the financial market turmoil which occurred in late 2022 following the UK September 2022 financial statement. Mrs R has drawn particular attention to this but, after careful consideration, I do not believe it would be fair or reasonable for me to factor in the consequences of that financial statement. Of themselves, I do not consider they would have reasonably been expected by, let alone reasonably foreseeable to, Lloyds in the prior period. As a matter of general principle, a bank can only be held liable if the issue giving rise to a claim was reasonably foreseeable to it at the time.

Prior to that, increases in rates had been more modest. Moreover, it's also the case that Mrs R's overall financial position meant that any decision to lend needed tailored consideration – which was the route JB was following. Furthermore, because of the complexity (and marginality, given the significant amounts involved), I accept it was always going to take some time. So, whilst I accept that if Lloyds had acted more swiftly than it did during 2022 it might have been possible for the bank to have made its decision not to lend any more money to Mrs R sooner, I do not accept that – in assessing compensation – the increases in general lending rates during 2022 should be taken into account. In my view, because of the time that was always going to be needed, the earlier increases would have to have been accepted, and – as I've already set out – the increases consequent upon the September financial statement were both unexpected and not reasonably foreseeable.

Alongside this, by September 2022 Mrs R had already spent her redundancy money and savings to keep things going – chiefly because of the adverse impact on her of the actions of the builder she had engaged to do work on her investment property, rather than anything the bank either did or failed to do. She then cashed in her pension fund, again to keep things going – but, in my view, the same logic applies to this too. Moreover, although Mrs R was prepared to wait during 2022, keeping her faith in JB, she also accepts there never was any obligation on, or commitment by, the bank to lend.

Mrs R did later seek private funding, but her application was not successful. Although Lloyds was prepared to agree to a second charge, the private lender withdrew – and other lenders declined to help. One effect of this is that Mrs R did not – in the event – take on borrowing from private lenders during 2023 after Lloyds had said it would not lend her any more money. (If private lending had been taken, it would in any event have been at higher rates than bank finance.) I do note, however, from the more recent correspondence Mrs R has provided that, in late 2024, she was looking to raise funding through others and she had received an offer of finance.

Bringing this all together, in all the circumstances and after very careful consideration of all that happened, on balance I do not find that Lloyds can fairly be held accountable to Mrs R for any losses she experienced arising from using her redundancy money, savings, or pension fund over this extended period. It was always going to take a certain amount of time for the bank to make its assessment. I fully acknowledge that the timing of events more generally, including the effect on the financial markets, was very unfortunate for Mrs R but, in my view, it was other factors – outside Lloyds' control, and relating more to the properties themselves – which were the real reasons for her needing to use her savings and investments to keep things going. But, as I say, like the previous ombudsman I do agree that Lloyds should pay Mrs R some compensation for the anxiety and distress caused by its delays. Again, I will revisit this later when I assess the overall level of compensation Lloyds should pay to Mrs R.

Complaints about DM

DM took over the relationship with Mrs R in January 2023 because of JB's upcoming leave. But this turned out to be a difficult month for Mrs R.
I share the previous ombudsman's view that it was surprising that DM took as long as he did to contact Mrs R, and that when he did so he appeared not to be as well-informed as JB had indicated he would be. But arguably more importantly, this was the month Lloyds told Mrs R it was not prepared to lend her any more money on top of her existing borrowing.

Mrs R has since explained that the bank's approach led her to 'shut down'; she didn't know what to do. Her health suffered, and she kept things going by using her pension fund money and borrowing from friends and family until a chance meeting with another former colleague in mid-2022 led to her re-establishing contact with JB.

It seems to me that the bank's handling of things in early 2023 (leaving aside its decision not to provide Mrs R with further lending, which the bank was of course entitled to decide for itself) caused Mrs R – much as the previous ombudsman concluded – unnecessary stress and distress. So, once more, I will revisit this later in this Final Decision when I assess the overall level of compensation Lloyds should pay to Mrs R.

Complaints about JB in 2023

I consider that the general tone of the emails which passed between Mrs R and JB during this period indicate, as the previous ombudsman recognised, that his focus was on trying to be as helpful to Mrs R as he could be in the then circumstances. This included the bank agreeing to fix rates, which were also to be backdated to 1 April – although there then appears to have been some confusion/errors in the calculations, which had to be resolved. Lloyds also agreed to a short term switch of one of the loans to interest-only terms, so reducing Mrs R's overall monthly outlay. It did so because she was keeping the payments up-to-date and so was not viewed as being in financial difficulty, although I do recognise Mrs R's view that – when looked at in its totality, including her using her pension fund to keep the payments up-to-date – that assessment by the bank was not necessarily fully reflective of the true position. But apart from the confusion/errors during this period I find it difficult to conclude that the service Mrs R received from the bank could be regarded as having been poor.

Vulnerability

Mrs R's overall view, as I understand it, is that – because the bank identified her as a 'vulnerable customer' when JB took on the relationship (and also because she knew about its policy for dealing with such customers) – Lloyds should have treated her differently, and better, than it did. Furthermore, Mrs R has expressed concern that, although JB had identified her as ‘vulnerable’ in early 2022, this was not formally noted in the bank’s records until 2024, when she made her complaint.

In his Provisional Decision, the previous ombudsman set out the ways in which he considered the bank had tried to help Mrs R, recognising her difficult and precarious financial position. It seems to me, as it did to the previous ombudsman, that the steps the bank took – at least several of which went beyond what I might have expected of a bank – represented a clear effort to try to support Mrs R in her time of difficulty. That there were delays and errors is not, in my opinion, the same as saying the bank had not identified that Mrs R needed extra help to try to protect her. I’m satisfied that is what the bank tried to do, albeit maybe not always quite as well as it might have; as I say, there’s clear evidence of what it was trying to do. I do not find, therefore, that it would be fair or reasonable for me to say, when taken as a whole from early 2022 onwards, that Lloyds failed to recognise Mrs R’s difficult financial position and her consequent vulnerability.

Summary and Conclusions

I’m very aware that, when combined with the previous ombudsman’s Provisional Decision, this Final Decision is a lengthy document. But in setting out my findings and conclusions, my aim has been to identify and concentrate on the central elements of all that happened – in order to come to what I consider to be a fair and reasonable overall conclusion.

Having done so, I have identified a number of areas where I consider that Lloyds should have done better than it did. As I have already explained, I do not find that Lloyds should be held accountable to Mrs R for any element of claimed financial loss. But I do find that she should receive fair compensation for the distress and inconvenience she experienced over time.

Taking everything as a whole, and having regard to the general level of awards CIFO makes, I consider that Mrs R is entitled to receive a larger sum than that recommended by the previous ombudsman. In all the circumstances, I assess fair overall compensation at £2,500. This includes the £500 the bank has already paid, so leaving £2,000 to be paid.

Final Decision

For the reasons I have explained, my Final Decision is that I uphold this complaint in part. In settlement of it, Lloyds Bank Corporate Markets plc, trading as Lloyds Bank International, Jersey branch, should pay £2,000 to Mrs R.

David Millington
Ombudsman

Date: 24 July 2025

COPY Provisional Decision
CIFO Reference Number: 24-000166
Complainant: Mrs J R
Respondent: Lloyds Bank Corporate Markets plc, Jersey Branch

It is the policy of the Channel Islands Financial Ombudsman (CIFO) not to name or identify complainants in any published documents. Any copy of this decision made available in any way to any person other than the complainant or the respondent must not include the identity of the complainant or any information that might reveal their identity.[1]

A decision shall constitute an Ombudsman Determination under our law.

Complaint

In summary, the complaint points Mrs R alleges against Lloyds Bank Corporate Markets plc, Jersey Branch include:

- mistreatment by staff (and misconduct)
- not being identified as 'vulnerable' at the earliest opportunity
- lack of due care and timeliness in processing actions
- feeling pushed to sell assets.

Background

Mrs R says Lloyds' poor service led to her suffering significant financial losses, including a redundancy payment, shares package, and pension/ investment income amounting to around £100,000. In addition, Mrs R says her health has been impacted through the stress and anxiety caused as well as not being able to secure mortgage rates from other providers.

The background is well known to the parties, and I don't intend to rehearse all the details. I'll focus on the main issues to contextualise the circumstances and can assure the parties I've considered everything they have sent, even though I may not have referred to it specifically.
The crux of the complaint arises from lending taken out to fund the purchase of properties with the intention of renovating and letting to tenants. Mrs R (through appointed professionals) set up a Limited Company, for which she was the sole Director, which held the title of the properties to be let and it was the company that was the mortgagee.

There were points at which the renovations became delayed or poorly executed and so weren't in a state to put on the rental market. Indeed, Mrs R says a builder conned her out of thousands of pounds and left the property un-mortgageable. It came to a point where Mrs R got into some difficulty in being able to meet the repayments. This was compounded when the mortgage term was coming to an end and up for renewal. Mrs R is unhappy at Lloyds' refusal to make any further lending facility available at a later point.

Mrs R's perspective

Mrs R has provided details of specific areas of concern and staff at Lloyds:

- LW's lack of compassion July 2021 and January 2022
- Didn't acknowledge issues with delayed kitchen units and builder attainment because of covid-19.
- Dismissive of Mrs R being put under notice of redundancy.
- Verbally abusive, shouting, rude and false accusations about breaching the mortgage terms.

Mrs R says she asked to be referred to a different adviser – JB. She says JB advised her that Lloyds would help as he identified she was vulnerable and easily influenced and proposed that the bank would get quotes from builders concerning work needed at her property, so a loan could be arranged to fix it to a lettable state.

Mrs R's complaints about JB (from 2022) include:

- He delayed action and she had to chase several times given interest rate was due to rise.
- She advised JB that she'd spent her redundancy money and was having trouble buying basics, like groceries, but his response was for her to sell some shares as well.
- After six months JB only provided one builder's quote for £300,000 and said the bank couldn't help. She had to provide a quote which was done within a couple of weeks.
- In January 2023, she applied for additional funds and a new residential mortgage as the rate was ending, JB said he was handing over to DM.

Complaints about DM include:

- Delay in making contact until 23 Jan and it became clear he wasn't up to speed with her situation. Although he discussed with someone else in the bank, he said the bank couldn't help.
- He didn't accept she was a vulnerable client as it wasn't recorded on the system.
- He was dismissive and shouted at her about what had been agreed with JB.
- Contacted him in February 2023 as there was a calculation error on the mortgage, but it took around a month to correct and there was no contact from DM.

Further complaints from 2023 about JB:

- In July JB expressed disappointment about the way she'd been treated and that she was paying a variable interest rate as opposed to a fixed rate. While he said he'd get this sorted without charging a fee, she was charged, and he said it wasn't fair to other customers to not levy the charge against her.
- Rates were agreed for the residential mortgage and buy to let backdated to 1 April. But the incorrect contract was sent, incorrect refund calculations made, and credits to incorrect accounts.
- By August she was being advised to sell a property or reach some other investor type arrangement and Lloyds refused to advance any further funds.
- She was, by circumstances, forced to go to the wider market for funding but this fell through because it was so expensive.

At this point Mrs R says her financial situation had worsened further, she'd run out of money, cashed in a pension, and was forced into borrowing money from friends and family. This had an impact on her physical and mental health and although no physical diagnoses were made, medical advice was to reduce stress.

Overall, Mrs R felt Lloyds pressured and intimidated her and didn't accept any responsibility. An example given by Mrs R is when Lloyds was supposed to hold back £44,000 for 'works' but only left £18,000 available which was insufficient and blamed her and her lawyer. And she identifies JB's failure to provide more than one builder's quote as the defining event that caused all the issues that followed and left her in the position she is.

Mrs R made it clear that she did not approach the bank for help, rather Lloyds offered to help her as a vulnerable customer.

Provisional Findings

I have considered all the available evidence and arguments to decide what is, in my opinion, fair and reasonable in the individual circumstances of this complaint.

Where necessary and/or appropriate, I reach my conclusions on the balance of probabilities; that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

Mrs R's engagement and challenges with Lloyds relates to mortgages arranged around 2020 totalling over £700,000. This consisted of a residential mortgage and two buy to let mortgages. Mrs R was supported and advised by an Advocate. Shortly after approval and funds being sent to the Advocate, an amount was returned to redeem a previous mortgage, and this left an outstanding amount to repay of circa £568,000.

For clarity, I'll refer to the main points I consider to be relevant to Mrs R's complaint against Lloyds. This is wholly in keeping with CIFO's remit as an Alternative Dispute Resolution entity and Ombudsman Scheme. CIFO does not operate in the same way a court does and is not required to.

£44,000 retained for works.

It appears to be an agreed position that the terms of lending included a retained amount of £44,000. In Lloyds' final response though it states part of that sum was inadvertently sent to the Advocate and circa £18,000 retained by the bank. According to Lloyds, the 'works' were not completed and the amount sent to the Advocate was part used for other expenses like stamp duties and Advocate fees. Lloyds states the

Advocate didn't query the amount and it also queried how, notwithstanding the error, Mrs R would have paid for the fees and stamp duties due.

It's apparent that the remaining circa £18,000 was drawn down for 'works' over a period of months. While it was accepted by Lloyds that works were being completed per the terms of the agreement, it's apparent they weren't fully completed. Of course, it goes without saying that had the remaining £26,000 been available, that would have enabled a greater amount of works to have been done.

It then becomes an issue of what difference that would have made. On Mrs R's own evidence, it's apparent there was a huge amount of work required to get the properties to a lettable standard and so start making a return on her property investment. And there remains the question about how she would have discharged the stamp duties and advocate fees. All things considered, while Lloyds accepts it made an error, I'm not persuaded this made a material difference to Mrs R's financial situation.

LW's lack of compassion July 2021 and January 2022

This is an area where documentary evidence is scant. I have seen one email exchange between LW and Mrs R dated 25 January 2022. It's apparent that LW advises Mrs R that she's in breach of the mortgage terms not least because the kitchen in a property was removed leaving it unlettable, works were to be completed within six months but hadn't been, and one property was converted into flats without the bank's permission.

Mrs R responds to LW saying the information was incorrect. One property had already been converted which the bank knew of and insisted on separate titles so a mortgage could be raised. She disputed the necessity of a further survey at the time as unexpected remedial works on a roof had to be carried out, and other works too. Mrs R accepted she had made mistakes, particularly with the kitchen removal but hadn't anticipated such a delay in a replacement arriving. In the same email, Mrs R raises concern about the animosity on calls and breakdown in communication between her and LW, and to be passed on to another adviser.

Based on this email exchange Mrs R is clearly at least anxious if not distressed by what had occurred in the communication trail with LW. I have no call recordings or other information but it's clear to me something occurred and impacted on Mrs R.

Complaints about JB

Mrs R's complaints about JB (from 2022) include:

- He delayed action and she had to chase several times given interest rate was due to rise.
- She advised JB that she'd spent her redundancy money and was having trouble buying basics, like groceries, but his response was for her to sell some shares as well.
- After six months JB only provided one builder's quote for £300,000 and said the bank couldn't help. She had to provide a quote which was done within a couple of weeks.
- In January 2023, she applied for additional funds and a new residential mortgage as the rate was ending, JB said he was handing over to DM.

In early April 2022 JB sent an email to Mrs R advising that he 'hoped' the bank would pay for a surveyor to value her properties to support resolution of some issues. By mid-May Mrs R hadn't heard anything and asked JB to chase the matter. JB responded promptly but a week passed, and Mrs R reached out again to JB. By early June JB was still overseeing the instructions for a surveyor to attend Mrs R's properties and reiterated his hope the bank would pay. JB also outlined the purpose of the survey was to establish what essential works were required so that additional funding could be discussed. Mid-June came and the surveyor had still not been instructed but by late July it appears the survey had taken place. In this email JB advised that he was away until 9 August at which point discussions could take place as it was implied the list of essential works would be ready.

By the end of August Mrs R was chasing JB again asking if there was any contact from the surveyor. By early September it appears JB and Mrs R had discussed matters, and she was completing forms, seemingly relevant to an additional funding review. Mid-September came and Mrs R sent an email to JB in which she briefly advises her worry about finances and asking for progress on the issue of risk and the pricing of additional works. JB responded noting that the forms were with a colleague, who he had updated on the situation, and a meeting was to take place near the end of September at which point it was hoped quotes from a building company would be available and a plan could be discussed. JB invited Mrs R to attend on 29 September.

This meeting appears to have taken place, and on 30 September Mrs R advised JB that she had no money at all and couldn't pay for groceries. She asked for a holiday break from paying the mortgages. At this point JB asks Mrs R for what cash savings she had, other assets and a plan to get money in which he'd refer to the credit department. Mrs R advises that she'd have to cash in her pension, ask family for loans, collect some back tax, and hopefully secure a job offer. JB also enquired about shares but said we wasn't saying they should be sold.

In October, Mrs R wrote to JB advising that she'd met with her accountant and outlined how she'd compromised her financial position as she'd been subsidising the company from personal funds. She was under huge financial strain and had borrowed money and sold personal assets. Further, Mrs R explained that it had been several months since she'd approach the bank and as things hadn't been resolved she requested a payment holiday. Mrs R also stated she would be contacting her Architect to ask for assistance and guidance on what minimal works were required to bring the property to a rentable condition. She pointed out that works should be substantially less than the quote the bank had obtained of circa £305,000. The email ends with Mrs R saying on her Architect's recommendation she'd then gather the appropriate quotes from relevant specialities to submit a funding request.

At least six months passed by at this point and given the chasing Mrs R conducted, particularly outlining her difficult financial position, I'm not satisfied Lloyds treated Mrs R fairly. The delay has not been explained and I accept Mrs R's point that this caused distress and inconvenience. She was effectively reliant solely on Lloyds' due diligence and skill and I find Lloyds provided a poor service.

By early January 2023, JB was handing over to another adviser, DM, setting out the context that the bank was looking to provide a further advance on Mrs R's residential property, on an interest only basis, so that essential works could be completed on the investment property. Further details were provided on the term and expectations about repayment, but it was clear it was all subject to approval.

Complaints about DM include:

- Delay in making contact until 23 Jan and it became clear he wasn't up to speed with her situation. Although he discussed with someone else in the bank, he said the bank couldn't help.
- He didn't accept she was a vulnerable client as it wasn't recorded on the system.
- He was dismissive and shouted at her about what had been agreed with JB.
- Contacted him in February 2023 as there was a calculation error on the mortgage, but it took around a month to correct and there was no contact from DM.

Mrs R contacted DM on 20 January 2023 asking for an update since JB handed over to him. DM advised he was discussing the matter with the credit team and would respond a couple of days later. It's not clear exactly when in January but the decision came that the bank was not willing to lend Mrs R further money.

Given the circumstances it wasn't ideal that DM took such time to return to Mrs R. He'd been briefed by JB and should have been aware of difficult situation Mrs R was in and so I accept, in the circumstances, the delay wasn't justified and caused unnecessary distress. However, in the absence of other evidence I'm not persuaded Mrs R's own recollection on the interaction with DM is enough to show, on the balance of probabilities that DM shouted at her or was dismissive.

The fact there was a miscalculation on Mrs R's mortgage but taking a month to resolve in the circumstances was too long, adding further stress on Mrs R.

Complaints from 2023 about JB:

- In July JB expressed disappointment about the way she'd been treated and that she was paying a variable interest rate as opposed to a fixed rate. While JB said he'd get this sorted without charging a fee, she was charged, and JB said it wasn't fair to other customers to not levy the charge.

- Rates were agreed for the residential mortgage and buy to let backdated to 1 April. But the incorrect contract was sent, incorrect refund calculations, and credits to incorrect accounts.
- By August she was being advised to sell a property or reach some other investor type arrangement and the bank refused to advance any further funds.
- She was, by circumstances, forced to go to the wider market for funding but this fell through because it was so expensive.

By this time, Mrs R was understandably under immense financial pressure. Given Lloyds charges fees to its customers for certain transactions, it was entitled to charge Mrs R. Lloyds had covered other fees for Mrs R, such as for a surveyor and a valuation. JB perhaps could have handled the messaging better, but I'm not persuaded his hope Lloyds could help without charging further fees, is one I can say was poor service. It seems to me JB was trying to be as helpful as he could be.

Vulnerability

Mrs R has referred to Lloyds' policy on vulnerable customers and that she wasn't identified as vulnerable at the earliest opportunity and there wasn't a consistent approach to her from staff. Lloyds' policy is based on the Financial Conduct Authority's 'Guidance for firms on the fair treatment of vulnerable customers'.

Having considered Lloyds' interactions with Mrs R in terms of how it has provided support, I note the following:

- Lloyds arranged and paid for a survey to identify the extent of remedial works to enable the properties to be let, as Mrs R intended to do with the investment.
- Lloyds arranged and paid for a valuation.
- Lloyds gave advice and support to Mrs R about reviewing her assets.
- Lloyds invited and advised Mrs R on what steps to take to

enable her to put forward a new funding request.
- Lloyds agreed to backdate mortgage terms from repayment to interest only, calculating and paying back interest she had paid.

I am satisfied that Lloyds identified Mrs R's needs and put in place interventions and mechanisms to support her at a time of financial difficulty. Having said this, I don't in anyway seek to underplay the situation Mrs R found herself. She had professionals engaged in the property investment from an Advocate to an Accountant. Lloyds' responsibility was regarding the lending and supporting her when it became apparent she was in financial difficulty. I've set out where I think Lloyds' service was poor and recognise the distress and inconvenience this caused. But, as previously stated, I'm not satisfied that Lloyds' service and timeliness was reasonable between April 2022 and when a lending decision was made in January 2023. I intend to make an award of compensation and will factor in the £500 Lloyds has already offered.

Summary of Findings

I am satisfied it's more likely than not there were issues between LW and Mrs R as that's apparent from Mrs R's email reference to animosity and the breakdown of communication. But the absence of other documentary evidence or recordings makes it difficult to say exactly what went on and whether the staff member was at fault. As such, I'm unable to conclude that Lloyds needs to do anything in this regard.

I am satisfied that JB's lack of consistent contact between April 2022 and October 2022 caused delays. But I'm not persuaded JB advised Mrs R that he'd obtain more than one quote for the works required. In my view it was a positive step for the bank to obtain and pay for the survey and getting a list of required works. Mrs R's email of October 2022 strongly suggests to me that she was also obtaining quotes and had consulted her architect on that issue.

I find this persuasive in supporting Lloyds' position that it advised Mrs R to obtain her own. It doesn't though take away from the unnecessary delay. Having considered the delay I'm not persuaded that if a survey had been commissioned earlier it would have made any material difference. The quoted works over £300,000 were a hurdle that Mrs R's financial situation could not have remediated to put her in a different situation.

I bear in mind Mrs R asserts it was this delay that was the causal factor of her perilous financial situation. For the reasons explained I don't agree, particularly as the real challenge was the absence of funds Mrs R needed to sufficiently repair the properties. At that point, and even into 2023, Lloyds was not able to lend Mrs R any further money and I've seen no evidence to show that decision was unfair. However, the delay and the chasing Mrs R had to do was undoubtedly a source of significant distress.

I'm not persuaded that the bank compelled Mrs R to sell her assets. She had made a commitment in agreeing the mortgages that she would repay the money loaned and on the terms of the mortgages. There were several issues impacting on Mrs R's financial situation that were not related to Lloyds. For example, Mrs R has described how builders left her properties in a worse position and had conned her. As the properties were not in a lettable condition, she couldn't realise an income as intended. From what I've seen, Lloyds was trying to support Mrs R and as part of that explored what assets she did have that may have enabled her to maintain payments and not default. Indeed, this was a requirement for Lloyds to consider Mrs R's further funding requests.

I am satisfied Lloyds made an error in failing to retain the full amount of £44,000 for works. While it released £22,000 more than it should have to Mrs R's Advocate, I'm not persuaded it made any material difference. On Mrs R's own evidence, there was a huge amount of work required to get the properties to a lettable standard and start making a return on the investment. And there remains the question about how she would have discharged the stamp duties and advocate fees. All things considered, while Lloyds accepts it made an error, I'm not persuaded this made a material difference to Mrs R's financial situation. The remedial works far exceeded the £22,000 Lloyds erroneously released.

While it's accepted Mrs R was vulnerable, that alone is not a persuasive reason to expect Lloyds to advance further funds against its lending criteria. I am satisfied that Lloyds identified Mrs R's needed further support and put in place interventions and mechanisms to support her at a time of financial difficulty.

Having considered everything carefully, I'm not persuaded £500 compensation reasonably reflects the distress and inconvenience I've identified that Lloyds is responsible for. I've balanced the general distress of being in the difficult financial situation Mrs R found herself. It's apparent that as time passed and Lloyds hadn't secured the survey and quotes it said it would, and the delay that ensued, Mrs R was becoming more concerned. Regularly chasing Lloyds for updates, the lack of progress and finally explaining she had simply run out of money demonstrated the impact on Mrs R.

Factors relevant to my award include the recurring failure to progress, the increasing distress Mrs R was experiencing, the frustration of no meaningful progress, the six-month minimum period involved, the fact she was vulnerable and so timeliness was relevant, is evidence of a 'substantial' impact. I'm also mindful of Lloyds' award of £500. This award appears to have factored in errors in calculations and the ways decisions were communicated. And there was a time where Mrs R, in my opinion, required to provide information including Architect confirmation regarding the sufficiency of Mrs R's own quotes to remediate the properties. That being said, whereas there's a chain of emails from Mrs R chasing updates and progress from Lloyds, there's not a corresponding chain of emails from Lloyds reminding Mrs R of what she needed to do.

I'm satisfied a further £1,000 compensation in addition to the £500 already paid, is fair and reasonable to reflect the distress and inconvenience caused by Lloyds' poor service.

Provisional Decision

My provisional decision is that I uphold this complaint.

To settle it, Lloyds Bank Corporate Markets plc, Jersey Branch must pay Mrs R a further £1,000 compensation in addition to the £500 already paid.

If either party disagrees with my provisional decision, the matter may be reviewed again, and I will complete a formal determination.

If either party considers they have additional evidence or observations not already provided, which might inform my formal determination, please send these to me at ombudsman@ci-fo.org, or letter to Channel Islands Financial Ombudsman, PO Box 114, Jersey, Channel Islands JE4 9QG within 30 days of the date of this letter.

Sean Hamilton
Ombudsman

Date: 4 November 2024