

The complaint

Mr A and his mother – Mrs A - complain about errors made by OneSavings Bank Plc when they tried to re-mortgage their property.

Mr A has led the complaint throughout.

What happened

Mr and Mrs A have a buy-to-let mortgage with OneSavings Bank. In 2020 they approached it as their interest rate product was due to expire at the end of June 2020.

OneSavings Bank sent them an 'initial choices' letter which gave them information on how to choose a new interest rate product before their fixed rate expired. The letter outlined that their loan to value (LTV) was 79.2% at the time and that there was no need for a revaluation of the property or for a solicitor, so there was no additional costs in switching to a new interest rate product except for a product fee (if one applied).

In May 2020 Mr A got back in touch with OneSavings Bank as his address had changed. It sent a new letter (but later explained that it shouldn't have done as the April 2020 letter was still valid). It said that, due to changes in the market, the Automated Valuation Model (AVM) that it usually uses was out of date and so it undertook a desktop valuation to get an up to date valuation of the property.

The result of this put the LTV above 90% which meant that Mr A became ineligible for better interest rates.

Mr A waited until his product came to an end and then made an overpayment of £14,500 to reduce the LTV. He was then able to access a better interest rate and fixed a new rate for two years.

Mr A complained to OneSavings Bank – he said it should not have completed the new valuation and that he suffered direct financial loss as a result.

It apologised for the error and admitted that it did not follow the correct procedure. It offered £100 in recognition of this and offered to refund the difference in the amount that Mr A and Mrs A paid when their mortgage account reverted to the standard variable rate (SVR) compared to the new rate taken.

Mr A remained unhappy and referred the matter to the Financial Ombudsman Service. He also said that OneSavings Bank should reduce the LTV to 75% and offer him better rates on this basis.

Our investigator considered the matter. He thought the offer made by OneSavings Bank didn't go far enough and recommended £250 for the distress and inconvenience caused but didn't think that OneSavings Bank should do anything further to put things right.

Mr A disagreed with this and said he should be put back in the position he would have been in - had the error not occurred. He asked for an ombudsman to consider the matter.

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.

I've noted what Mr A has said about this matter and can appreciate that this must have been a frustrating experience. I'm sorry to have to disappoint them, but I'm afraid I don't think I should uphold their complaint in the way they want me to. I'll explain why.

OneSavings Bank is entitled to set various criteria for the interest rate products it offers – including LTV. Where there's a simple product switch, it doesn't generally require a new valuation. And here it's explained that it wouldn't normally have carried out a new desktop valuation. OneSavings Bank has explained that it made a mistake and has apologised for this.

And it's unfortunate that this occurred at a time that the housing market was affected by the coronavirus pandemic. But I don't think that I can fairly ask One Savings Bank to disregard the desktop valuation. This provided a more accurate reflection of the property value at the time.

Mr A has pointed to the documentation provided which estimated the property value at around £250,000 and that this was valid until November 2020. Mr A says it should honour this. I've considered this documentation which has assumed a value of around £250,000. This was only an estimate and I don't think it would be fair for OneSavings Bank to disregard the outcome of the desktop valuation as that provided a more accurate and up to date figure.

Mr A has also said that the valuation in 2015 should still apply. OneSavings Bank has confirmed that it would only consider a valuation to be valid if it had been completed in the last six months – which I don't consider unreasonable.

But I do think that OneSavings Bank should have given Mr A the option to have his own valuation completed – at a cost to himself and Mrs A - as he disputed the desktop valuation. I can't see that this happened here. But I also haven't seen anything to suggest that, if a full valuation had been undertaken, that it would have returned a substantially different result to the desktop valuation. And I've kept in mind that at the time the housing market was volatile due to the coronavirus pandemic and so it could have been valued at less than the desktop valuation.

Where an error has occurred, we would generally look to put the consumer back in the position they would have been in – but for the mistake. I've already said that I won't be asking OneSavings Bank to disregard the desktop valuation. I've also kept in mind that, if Mr A was given the option of arranging his own valuation then he would have incurred that cost – and there was no guarantee that this would have returned a different result to the desktop valuation.

And so, I've looked at what OneSavings Bank has done to address this issue. Mr A and Mrs A's mortgage reverted to the SVR for two months before the new rate was taken. In recognition of this, OneSavings Bank has reworked the account to refund the difference between the SVR paid and the new monthly payments - which amounts to £767.38. I consider that this fairly reflects the direct financial loss caused here.

I've also considered the offer of £100 compensation in recognition of the distress and inconvenience caused. Here, I'm in agreement with our investigator that this does not go far enough.

Mr A has explained the impact that this situation had on him – he said that he was very worried about this and had sleepless nights. He also said that he suddenly needed to find the extra £14,000 and ended up asking his mother for this, which resulted in her using some retirement savings.

I can understand the difficult position that Mr A and Mrs A were in. But I've also kept in mind that – although this was not the intention - they are now in a better position than they would have been in by paying off more of their mortgage and increasing the equity in the property – in turn decreasing the outstanding balance they needed to pay interest on.

Having thought about all of this – I consider £250 is fair in all the circumstances to address the trouble and upset this matter caused.

They may now be in a position to have a new valuation which could alter the LTV – or chose to go to another lender if better rates are available elsewhere.

Putting things right

Having thought carefully about everything – I think £250 is fair and reasonable in all the circumstances.

My final decision

For the reasons I've given, I uphold this complainant in part – and direct OneSavings Bank Plc to pay Mr A and Mrs A £250 for the trouble and upset caused by this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before XXXXX 2022.

Camilla Finnigan
Ombudsman