

The complaint

Mr and Mrs B complain about how Darlington Building Society (DBS) handled an application for a new mortgage loan. They're unhappy that their application was eventually declined and that they've paid fees despite the transaction not going ahead.

Mr and Mrs B would like the mortgage application fee and the valuation fee refunded. They would also like compensation for the stress they say DBS put them through during the application process.

What happened

In March 2021 Mr and Mrs B applied for a repayment mortgage with DBS, having met with a mortgage broker. Mr and Mrs B got a decision in principle to borrow £180,000. They planned to borrow £154,000 to repay their existing mortgage, and a further £26,000 for home improvements.

Mr and Mrs B paid a fee of £225 for a full valuation. The valuation was completed on 28 April 2021. However, following this, DBS' underwriter declined the application.

Mr and Mrs B say that DBS:

- initially led them to believe that a desk top valuation would be sufficient but later said a valuation for mortgage purposes was required.
- didn't review their income assessment properly. As a result, their application progressed and a valuation for mortgage purposes was completed which Mr and Mrs B had to pay for.
- later declined their application and this meant they lost their application and valuation fees.

Following their mortgage application being declined, Mr and Mrs B complained to DBS. On 13 July 2021 DBS gave its final response to the complaint. It said a desktop valuation had initially been requested on 12 April 2021, but this was changed four days later to a physical valuation as the property to be purchased was outside of the criteria for a desk top valuation.

DBS said it was only when supporting information was received to verify Mr and Mrs B's declared income that it realised that the figures on the application didn't match the information. Due to the discrepancy in declared earnings, and DBS being unable to establish that the mortgage was affordable, it couldn't support the application and it was declined.

DBS said there was no record that an application fee was paid and that the valuation fee of £225 is non-refundable, despite the application not going ahead.

Mr and Mrs B were dissatisfied with DBS' final response and brought their complaint to us.

Our investigator looked into what had happened. She didn't think the complaint should be upheld. She said there wasn't evidence to support that a mortgage application fee had been paid, and she thought it was reasonable that a physical valuation had been requested when

more information about the property to be mortgaged became apparent. Our investigator also thought it was reasonable that DBS declined the transaction when further income verification was carried out as part of the application process.

Mr B disagreed with our investigator's assessment of the complaint. He replied to say, if he hadn't paid the initial mortgage fee, the application couldn't have progressed to the valuation stage. Mr B said he believed he was entitled to at least having the valuation fee returned because it was clear that the documents and application hadn't been reviewed before DBS said it needed the property to be valued.

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.

Having looked at this complaint, I'm in broad agreement with our investigator's findings. I don't think this complaint should be upheld. I'll explain why.

I've seen the 'mortgage agreement in principle' shared with Mr and Mrs B before they decided to apply for a mortgage with DBS. The document says that the decision wasn't a formal mortgage offer and that it was *"conditional on the security property meeting the Society's lending criteria, a satisfactory valuation and verification of all information provided by the applicants, including a credit search"*.

The document also reminds the broker of the information needed from applicants, to include proof of income, latest 3 months full UK bank statements and the valuation fee (if applicable).

I've seen the underwriter's notes when reviewing the application. It's clear that they carefully explored affordability for the mortgage and interrogated the evidence of earnings shared in support of the transaction. The underwriter recorded that the income from a private pension declared in the application hadn't been confirmed by the supporting documentation provided.

DBS had also asked for a professional quote for the works to be completed but this hadn't been supplied.

I think it was reasonable that DBS chose not to proceed with the loan where there was a discrepancy over the declared income that it couldn't verify. I also think it was fair that the underwriter considered the income and expenditure after the valuation had gone ahead. A key part of the underwriter's risk assessment will have been what value the surveyor ascribed to the property to be mortgaged and whether this provided suitable security for the loan that Mr and Mrs B were applying for. I think it's reasonable that DBS asked that a valuation be completed before the application was assessed by an underwriter.

Mr and Mrs B have complained that they were initially led to believe that they would only need to pay for a desk top valuation and then it later became apparent that a full valuation would be needed. I can understand Mr and Mrs B's disappointment about this, and I appreciate this led to the cost of the survey increasing. There does seem to have been confusion about the type of valuation that would be required for Mr and Mrs B's property. However, I don't consider the evidence supports that DBS were responsible for this.

I've seen the information that DBS shares with brokers, that sets out when the desktop valuation service could be used. There are limitations clearly set out in this information about when the desk top valuation service could apply. Limitations include properties subject to

renovation and properties with more than two acres of land. On both counts it seems that Mr and Mrs B's property was not going to be suitable for a desk top valuation.

I also haven't found evidence that indicates that DBS led Mr and Mrs B or the broker to believe that a desk top valuation would be sufficient and that it then went back on this. And so, I don't think I can reasonably hold DBS responsible for any loss of expectation or additional cost involved in a full valuation being needed to support their application.

Mr and Mrs B have complained that they paid an application fee and the mortgage valuation fee of £225 despite the transaction not going ahead. DBS has said that no application fee was paid by Mr and Mrs B. The broker has said he remembers the payment being made using Mr B's bank card, but no evidence has been provided to show this disputed payment was made. Where there's disagreement about what's happened, I must decide what I think is most likely to have happened on the balance of probabilities. I think the broker may be confusing the payment of the application fee with the valuation fee payment. And, as there's no evidence the application fee was paid, I don't think it is fair for me to ask DBS to refund it.

That leaves the cost of the valuation. In section 4 of the mortgage illustration it lists the one-off costs involved in the application. The 'enhanced valuation fee' of £225 is listed as being payable on application. It also says, '*this fee is not refundable*'. I think it's made reasonably clear by the lender that this is a cost of the application and that it isn't repaid if the application isn't successful.

A valuation for mortgage purposes was completed to support the mortgage application and this is a genuine cost for DBS. I think it's fair in this case that Mr and Mrs B pay for this valuation. I can see why Mr and Mrs B are disappointed to pay this fee when the application didn't have the result they hoped for. But I think it's reasonable that a valuation was required by DBS without it guaranteeing the mortgage would be approved.

My final decision

My final decision is that this complaint shouldn't be upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 8 August 2022.

Emma Peters
Ombudsman