

The complaint

Ms T complains The Mortgage Works (UK) plc (TMW) acted unfairly when it relied upon a property revaluation on her buy to let property at a figure under its true market value.

What happened

Ms T has a buy to let mortgage (BTL) with TMW which she took out in November 2020. Ms T says she approached TMW to inform them she wished to sell a dilapidated garage, which was part of the property albeit in a separate block away from the house. Ms T says she was told because the property was mortgaged to TMW it would need to carry out a revaluation and after some delays this was eventually carried out in June 2021.

Ms T says TMW's valuers, valued her property at the same level it was valued at over six months earlier, despite house prices in her area increasing. Ms T says she was told the revaluation meant that the sale of the garage would further reduce the property value by around £10,000. As a result of that any proceeds of sale would need to be used to reduce her BTL, to maintain the existing loan to value of around 75%. Ms T says this meant she had to reduce her BTL by approximately £8,000.

Ms T says TMW initially refused her request to appeal the revaluation, but when it finally agreed to, it would only consider properties sold up to six months prior to the revaluation carried out in June 2021. Ms T says she provided various examples of properties similar to her own, that sold recently for considerably more than her property was valued at, and TMW have been unreasonable in not taking these valuations into account when making its decision.

TMW says it has relied on the revaluation conducted by a suitably qualified surveyor and said initially it would only allow an appeal of the revaluation, if there was a change in the loan to value that affected its security. TMW subsequently agreed to the appeal, but the surveyor felt the comparable properties provided by Ms T didn't alter the revaluation report - in part as they were not sold six months prior to their revaluation report, which was a condition of the appeals process.

Ms T wasn't happy with TMW's response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint in part. The investigator felt it wasn't unreasonable for TMW to rely on the revaluation carried out by a qualified surveyor. The investigator says TMW did make clear, depending on the revaluation figure on the property, it would be entitled to ask for a capital repayment to maintain its existing loan to value.

The investigator says he didn't feel TMW had been fair when it initially refused to allow Ms T to appeal its revaluation report provided by the surveyor and because of the inconvenience that caused, he asked TMW to pay Ms T £125. That said the investigator felt even if the appeal had been conducted earlier, it wouldn't have altered TMW's decision to ask for a capital repayment to reduce Ms T's BTL.

Ms T didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

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 done so, I have come to the same outcome as the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Ms T to be told she had to reduce her BTL based on a revaluation of her property, which she felt hadn't taken into account increases in property prices locally.

When looking at this complaint I will consider if TMW acted reasonably when it accepted the revaluation report it instructed and if it was fair to initially refuse an appeal to that revaluation report, from Ms T.

Ms T's complaint centres around her view the revaluation of her property hasn't taken into account other comparable properties sold locally, or the increase in house prices generally in the local area. Ms T has provided this service with a number of examples of properties sold locally to her property and doesn't feel the sale of a dilapidated garage should materially reduce its value.

The first thing to say here is I can only comment on whether TMW acted fairly on relying on the revaluation report provided to them by their appointed valuers, and not whether the surveyor has correctly reported on the property - that is not within the jurisdiction of this service.

What I can say is, I have seen the revaluation report and the valuers instructed are TMW panel members with RICS membership, and the surveyor carrying out the valuation was fully qualified, working independently of TMW and used its own comparable properties.

What is fair to say is property prices are subject to change dependent on market conditions and the timing of such sales.

Where I do have an issue, like the investigator is why TMW didn't allow Ms T to appeal the revaluation when she initially asked to. TMW seem now to have accepted this point and subsequently agreed to the revaluation appeal and I can see this was considered by the surveyor with the comparable evidence provided by Ms T. Unfortunately here, Ms T's comparable properties were all post the revaluation report so didn't meet TMW's requirement of these needing to be six months prior to the revaluation report she was appealing.

While Ms T may not agree, I can't say that TMW should accept comparable properties sold, or on the market post its revaluation date, given property prices may well have changed during that time. It's also fair to say TMW's criteria that any comparable properties needed to be six months prior to its revaluation report, was made known on the appeals documentation Ms T completed.

So it's fair to say, while an earlier appeal wouldn't have changed TMW's decision, it did cause some inconvenience to Ms T and TMW could have agreed to this sooner and I support the compensation suggested by the investigator. I would therefore instruct TMW to pay Ms T £125 for the inconvenience this has caused.

While Ms T will be disappointed with my decision, I feel this is a fair outcome here.

Putting things right

I instruct The Mortgage Works (UK) plc to pay Ms T £125 by way of compensation.

My final decision

My final decision is that I uphold this complaint.

I instruct The Mortgage Works (UK) plc to pay Ms T £125 by way of compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 4 July 2022.

Barry White
Ombudsman