

The complaint

Mr K and Mrs K complain about multiple errors by Al Rayan Bank PLC in relation to their home purchase plan and application. Mr K has dealt with the complaint. He says Al Rayan intentionally down valued the property they wanted to buy. Mr K says they lost over £2,500 and had to move into rented accommodation. He asks that Al Rayan improves its processes and staff training, investigates its down valuing of properties and pays compensation.

What happened

Mr and Mrs K had a home purchase plan (HPP) with Al Rayan. They wanted to move home. Mr K says Al Rayan caused delays with the redemption of the HPP when they sold their property. He says it's unfair for Al Rayan to apply a fee in relation to the redemption when he did all the work and chasing to ensure it happened.

Mr K is also unhappy with the process for applying for a new HPP. He says the property he wanted to buy was undervalued, which reduced the amount Al Rayan would lend. And he was asked to re-send documents he'd already provided.

Our investigator said Al Rayan was entitled to make a decision about the amount it would lend. Our investigator said while Al Rayan had followed its process when asking for documents to support Mr and Mrs K's application and when providing a redemption statement, there had been some poor service when Mr K called about the redemption and recommended Al Rayan pay £150 compensation.

Al Rayan didn't agree, saying there was no bank error to justify payment of compensation. It said it was unfair to say it failed to provide a good service or was responsible for delays with the redemption of Mr K's mortgage when the matter was being dealt with by the solicitors.

Mr K didn't agree either. He asked how compensation of £150 was arrived at when he was charged a redemption fee of £240. He said the investigator hadn't investigated Al Rayan's pattern of down-valuing properties. He said Al Rayan hadn't given the valuer the correct purchase price.

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.

Mr and Ms K's complaints about Al Rayan fall into three main areas: the redemption process; the property valuation; and the mortgage application process.

The redemption process

Mr K asked for a redemption statement on 16 July 2021 (a Friday) with redemption planned for 26 July 2021. Al Rayan sent the redemption statement to its solicitors on 19 July 2021, the next working day. It says its solicitors received the redemption statement on 22 July 2021.

Al Rayan says the process was then in the hands of the solicitors until it received the redemption funds. It says its solicitors received documents from Mr and Mrs K's solicitors on 26 July 2021. It provided emails between the solicitors which support this. Al Rayan received the redemption funds on 28 July 2021. However, it backdated the redemption to 26 July 2021 and waived the rent due up to 28 July 2022. I haven't seen any evidence that Mr and Mrs K suffered a financial loss due to the redemption monies arriving two days later than planned.

There's no doubt though that Mr K was worried about everything being in place for the planned completion date. He made 12 calls to Al Rayan during this time, as well as sending emails.

There was a short time period between Mr K asking for the redemption statement and the planned completion date. Al Rayan wasn't responsible for this timing, although it might have helped matters if it had told Mr K at the outset that this could be problematic. I've listened to recordings of the phone calls during this time. I don't agree that Al Rayan spoke to Mr K inappropriately. I

Mr K was concerned that Al Rayan (or its solicitor) needed to send draft documents to his solicitor before completion, despite Al Rayan telling him this wasn't its process. Mr K was frustrated that the people he spoke to at Al Rayan didn't understand what he was asking for. But Al Rayan was following its usual process, and I can't fairly hold it responsible for Mr K expecting it to do things differently.

Mr K was also concerned that Al Rayan hadn't sent the redemption statement to its solicitors. I think Al Rayan could have been more helpful here. Al Rayan posted the redemption statement and it arrived almost a week after Mr K requested it – this was only two working days before completion. It must have been frustrating for Mr K to be told by his solicitor they didn't have the redemption statement when Al Rayan told him it had sent it. Al Rayan told Mr K it was still looking into this two working days before the completion date. Al Rayan might have been following its usual process when it posted the redemption statement, and it isn't responsible for any postal delays. I don't know if its internal policy meant it couldn't send the redemption statement by a quicker means (such as fax or secure email). But I think it could at least have better explained what was happening with the redemption statement, given the short time to completion and Mr K's obvious worry.

I don't think it's fair and reasonable in the circumstances to require Al Rayan to refund its administration fee. The HPP was redeemed, and Al Rayan carried out the necessary tasks to achieve this. Some of Mr K's worry related to matters (such as draft documents between the solicitors) which Al Rayan told him weren't necessary. But I think it's fair for Al Rayan to pay compensation for the unnecessary worry caused by it not explaining the timing and process with the redemption statement better. I think compensation of £150 is fair and reasonable in the circumstances.

The property valuation

Al Rayan requires a valuation of the potential security property before offering a mortgage. This is to help it decide whether the property is suitable security. Al Rayan instructed a suitably qualified valuer, a member of the Royal Institution of Chartered Surveyors, to carry out the valuation. The surveyor valued the property at £410,000, which was the purchase price Mr and Mrs K had originally agreed with the seller.

Another buyer was interested in the property and Mr and Mrs K agreed to pay £420,000. They needed to borrow more to fund this. I can understand Mr K's frustration that Al Rayan didn't agree the property was worth more than the valuation, or agree to lend more. But I

don't think it had to do so. There's some dispute about whether or not the valuer was (or should have been) aware that Mr and Mrs K had agreed to pay more. Either way, this doesn't change my view. I can't see that there was an obvious error in the valuation that Al Rayan should have challenged the surveyor about, or which made it unreasonable to rely on the valuation.

Mr K says we need to take into account that this was part of a pattern of properties being down-valued. Al Rayan provided the valuation report for a previous application and I can see that this property was also valued by a qualified surveyor.

I think Al Rayan is entitled to ask for a valuation to be carried out on its behalf, and to rely on the expert opinion of the surveyor.

The application process

I think it's reasonable for Al Rayan to ask for up to date documents (it says it requires the latest three months pay slips and bank statements) to support an application for a HPP. Mr and Mrs K had provided documents for a previous application. Some of these would have been out of date, although Mr K had sent some updated documents in May and June 2021.

Al Rayan asked Mr and Mrs K to provide these documents again, to support the new application. It says its usual process is to ask for all documents again when a new application is started. I appreciate there was some inconvenience for Mr K in re-sending documents. But I can also understand that it was Al Rayan's process to ask for all the required documents for a new application, rather than review previous applications and send a list of what remained outstanding or needed to be updated.

Given this was Al Rayan's usual process, and there was inevitably some inconvenience in having to send outstanding/updated documents anyway, I don't think it's fair and reasonable to require Al Rayan to pay further compensation.

My final decision

My decision is that I uphold this complaint. I order Al Rayan Bank PLC to pay £150 to Mr and Mrs K.

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

Ruth Stevenson
Ombudsman