

The complaint

Mr and Mrs V complain that Lloyds Bank PLC undervalued their house, for mortgage purposes. And they complain about what happened when they tried to appeal this valuation.

What happened

Whilst this complaint is brought by both Mr and Mrs V, as the mortgage is in both their names, our dealings have been with Mr V. So I'll mainly refer to him in this decision.

Mr V told us he'd applied for a remortgage with Lloyds, and wanted to add extra borrowing, for a separate upcoming family expense. But he said the valuation that Lloyds used for his property was around 20% lower than he was expecting, and left him unable to borrow as much as he wanted. Mr V wanted to appeal that valuation.

Mr V told us he spoke to the complaints team, and then sent his further evidence, but no one ever replied. He just got a letter without any detail, saying his complaint had been resolved.

Mr V wanted Lloyds to reconsider the valuation of his property, and if the appeal was successful, to advance further borrowing to 75% loan to value based on the new valuation, at the original mortgage product rate.

Lloyds didn't think it had done anything wrong. It said it didn't value the property, it instructed professionals to do this, and relied on their valuation. Mr V then said he wanted to appeal, and Lloyds explained its criteria for that. But it would only accept an appeal if Mr V could identify sales of three comparable properties, ideally within the six months prior to the date of valuation but no longer than twelve months. The properties had to be in close proximity to Mr V's home, and comparable in size, condition and number of bedrooms.

Lloyds said that Mr V just didn't have such comparisons. What he sent was index valuations, which Lloyds wouldn't consider as comparable. So Mr V's complaint wasn't upheld. Lloyds said it had then sent Mr V a standard letter, giving him rights to come to our service.

Our investigator didn't think this complaint should be upheld. She said that our service could only look at the actions of Lloyds, not those of the surveyor, which doesn't fall within the jurisdiction of our service. She said she'd checked, and Lloyds had appointed a survey company with appropriate professional accreditation. When Mr V wasn't happy with the valuation, Lloyds told him what he needed to supply to appeal the valuation. But, as Lloyds had said, what Mr V had just didn't meet those criteria.

Our investigator said that Lloyds' notes said it had called Mr V, and explained it wouldn't uphold his complaint. Those notes said Mr V accepted Lloyds' explanation, and agreed to his complaint being closed. A short letter just acknowledging this position was then sent to him. Mr V had sent information for Lloyds to review after this call, but this was the same information he'd supplied earlier.

Our investigator appreciated it was disappointing to get a valuation so much lower than Mr V expected, and lower than he'd been given elsewhere, but she said these valuations were for

different purposes. And she thought it was fair for Lloyds to rely on the valuation it had commissioned, and which was based on an inspection of Mr V's property. Our investigator thought Lloyds had handled Mr V's valuation and subsequent appeal fairly. She thought it would have been better customer service if the person Mr V spoke to about his appeal and resent documentation to, had then contacted him to explain why Lloyds couldn't continue with the appeal. But that person had confirmed they would only call Mr V if Lloyds were going to review the decision, so she didn't think Lloyds needed to take any further action.

Mr V didn't agree. He made two points in reply. The first point was that he simply wasn't able to provide sales evidence, and he'd expect Lloyds to consider alternative evidence when there just weren't any recent sales. He felt that the surveyor Lloyds instructed had applied an overly simplistic approach to the valuation. And the second point was that Mr V said he didn't agree to the complaint being closed on 17 February.

Our investigator asked Lloyds about this, and it suggested Mr V could complain to the surveyor involved. It also sent our service the calls it had with Mr V on 17 February.

Our investigator then wrote to Mr V again. She said Lloyds would only accept evidence of recent sale prices of similar properties, as strong evidence is required for the surveyor to review their previous findings. And she told Mr V he could complain to the surveyor directly.

Our investigator said she'd listened to the relevant calls, and she thought Lloyds' call handler had provided a clear explanation of Lloyds valuation policy, and he'd also said Lloyds would write to Mr V. But the call handler hadn't explained that the letter would be the last stage in Mr V's complaint, or that his complaint would then be marked as resolved.

Our investigator still thought it was fair and reasonable for Lloyds to appoint appropriately accredited surveyors to complete the valuation, and then to rely on their professional opinion. She thought Lloyds could have explained the closure of Mr V's complaint more clearly, but the end position would have been the same, Mr V's complaint still wouldn't have been upheld by Lloyds.

Mr V said he wanted this complaint to be considered by an ombudsman. He also said he wanted to explore whether he could complain to the survey company, so our investigator asked Lloyds about that. In reply, Lloyds then said Mr V couldn't complain directly to the survey company after all. And it also changed its position on this complaint. It said that in fact Mr V could never have appealed the initial valuation of his property.

This case then came to me. And I reached a provisional decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold part of it. This is what I said then:

I should start by dealing with the issue that I would expect Mr and Mrs V will be most concerned about in this case – whether it was unfair or unreasonable for Lloyds to rely on the valuation of their property that it commissioned from a survey company. And I just don't think it was. Lloyds isn't an expert in property values, so it hired a firm that does have the appropriate professional accreditation. And it's relied on what that firm says. I don't think that's an unfair or unreasonable approach for Lloyds to apply.

I know that Mr and Mrs V wanted to be able to appeal that valuation, and Lloyds told them they could do so. From the internal notes I've seen, it seems as if Lloyds rejected this appeal without passing it to the survey company for review, because Mr and Mrs V

weren't able to show recent sales of comparable properties. Given that Mr and Mrs V were asking Lloyds to query the decision of a professional, in an area where Lloyds doesn't carry expertise, I think it's fair and reasonable for Lloyds to set quite a high bar for appeals, and to decide that Mr and Mrs V unfortunately didn't get over that bar.

For these reasons, I don't think that Lloyds has to revisit Mr and Mrs V's mortgage application now, and increase the amount it will lend to them against their property. I don't think this part of their complaint should be upheld.

But it's now not clear to me whether Mr and Mrs V could ever have been successful in an appeal, because at a rather late stage, Lloyds has said it doesn't allow appeals against valuations for this sort of mortgage application. So it looks as if Mr and Mrs V spent time and effort engaging with an appeal which was never likely to be accepted.

I also note that Mr and Mrs V never received a full response to their complaint, just an acknowledgement, which didn't explain Lloyds' position. I don't think that was an appropriate way to follow up the two calls that Lloyds had with Mr V on 17 February. Although Lloyds' call handler did explain the different purposes of a valuation for sale and one for mortgage purposes, I think Mr V would have been left with the impression that Lloyds was still very actively considering his appeal. So I do think it was then poor service to close his complaint without at least noting that these further considerations hadn't changed anything.

And finally, I do think Lloyds is responsible for giving Mr V the impression that he could complain to the survey company, which it's now said isn't possible either.

So, although I don't think Lloyds has to reopen Mr and Mrs V's mortgage application, I do think that it has provided them with poor service, and should pay some compensation for that. I think a payment of £150 would provide a fair and reasonable outcome to this part of their complaint, which I do think should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Lloyds accepted my provisional decision. But Mr V replied to say that he and Mrs V did not.

Mr V said he wanted to share with me information to show he had sent Lloyds more than a simple index valuation. He said he had told Lloyds he was concerned that its valuer had just applied a particular house price indexation figure to his previous mortgage valuation, which he didn't think would provide a good measure of the value of his individual property.

Mr V said he'd sent all the details that were available for recent local sales (although these were some time ago) and a valuation based on an algorithm that Mr V thought was more accurate. Mr V said this should have triggered an appeal, otherwise as someone who lives in an area with low turnover of housing, he would be locked out of any appeals process. Mr V said he'd been clear that he would have been happy to pay any additional costs involved.

Mr V said that Lloyds' complaint handler had accepted that Lloyds does instruct "down valuations" to protect its position, which he felt was inherently unfair and misleading. Mr V

said that Lloyds hadn't made this clear in any advertising or contractual material that Lloyds provided as part of the application.

Mr V said the application was made so he could raise funds to buy an overseas home, and that meant time was of the essence, so it was difficult for him to just restart elsewhere. He said he would have done that, however, if he'd realised an appeal would never be heard.

Mr V said he still felt that the right resolution in this case was for the valuation appeal to proceed, so he got an independent review. And if the valuation (as at the date of application) was higher, he should be put in the same financial position he'd have been in, if his application had gone ahead then, based on the revised figure. Mr V said compensation of £150 for such a fundamental issue, causing him severe financial detriment, didn't feel appropriate or fair.

I understand Mr V feels very strongly that his home is worth considerably more than Lloyds valued it at. Mr V has told us he has some expertise in property valuations, and although Lloyds referred specifically to the index valuations he'd shared with it, I'm aware that he's also sent Lloyds a number of different ways of measuring the value of his home, including what he considers to be all the information available on comparable recent sales, as well as the marketing opinion of a local estate agent. So I understand why he thinks the valuation Lloyds used over-generalised, and didn't properly reflect what he'd be likely to achieve if he sold the property.

But this complaint is brought against Lloyds. And, at its core, what Mr V is complaining about isn't something that Lloyds did. It's a decision made by the valuer Lloyds instructed. I cannot consider a complaint against the valuer here, I can only look at what Lloyds did. Lloyds instructed a valuation, and when that valuation was done, it relied upon it. As I said in my provisional decision, I don't think that's an unfair or unreasonable action for Lloyds to have taken.

Mr V said that Lloyds was asking its valuers to provide "down valuations". I haven't seen anything to suggest that Lloyds is asking its surveyors and valuers to deliberately undervalue properties it's considering lending on. But I do think that when Lloyds asks for a mortgage valuation, it's got quite a specific purpose in mind.

Lloyds wants to be sure that the property provides adequate security for its lending. In a worst case scenario, lenders want to know that the property they are lending on can be sold at a price which will allow them to recover what was lent. And lenders also need to bear in mind that it's often in everyone's best interest for a house to be sold fairly quickly, before any mortgage debt rises further. I think that's what Lloyds was seeking to explain to Mr V on the call I've listened to, when it explained that its valuations are sometimes lower than the price the homeowner may achieve on sale, but it doesn't think that means those valuations were wrong. They were just done on a different basis, and for a different purpose.

I realise that Mr V would say that in this case, the difference in this case between the valuation he would put on the property (for all the reasons he's set out) and that which Lloyds obtained was just too high. And that's why Mr V wanted Lloyds to allow him to appeal this decision. But again, I have to bear in mind that what Mr V is trying to change here isn't Lloyds' decision. It's the decision of professionals that Lloyds engaged.

Not all lenders have a form of appeal against mortgage valuations. Lloyds does, but it sets quite a high bar for those. And I explained in my provisional decision that, because Mr and Mrs V were asking Lloyds to query the decision of a professional, in an area where Lloyds doesn't carry expertise, I didn't think it was unfair or unreasonable on the part of Lloyds to set quite a high bar for that, and in this case, to say Mr V couldn't appeal.

Mr V said the compensation I'd suggested wasn't anywhere near enough for what had gone wrong here. But when I suggested that Lloyds should make a payment of £150 in this case, it wasn't because I thought Lloyds had wrongly decided only to lend Mr V rather less than he wanted to borrow. I haven't upheld Mr V's complaint about that. I suggested a payment of compensation here because I don't think Lloyds handled things well, when Mr V objected to its valuation. And I still think £150 is an appropriate amount in this case to provide a fair and reasonable outcome, on the small part of this complaint that I do think should be upheld.

For those reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Lloyds Bank PLC must pay Mr and Mrs V £150 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 13 February 2023.

Esther Absalom-Gough
Ombudsman