

The complaint

Mr F and Miss M complain about what happened when they tried to remortgage with Nationwide Building Society, and take out additional lending to pay for a number of home improvements. They complained about the valuation, and the service they received.

What happened

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

Mr F said the remortgage process with Nationwide had been lengthy and difficult. He and Miss M started their application in March 2022. He said Nationwide tried to move the goalposts after the lending was initially agreed, and it repeatedly requested confirmation that a loan had been paid off, although he'd already supplied this.

Mr F said the mortgage application failed to go through due to a Nationwide keying error, and had to be input manually. Mr F has referred to this causing extended delays at a number of stages of the mortgage process.

Mr F said a conveyancing company was given the wrong information, so that Miss M was continually referred to by the wrong name, despite Mr F telling Nationwide about the error.

Mr F said the valuer who attended the property was rude, and didn't have local knowledge. Mr F said the valuer didn't know he was supposed to value the house both as it was, and as it would be after Mr F's programme of works was completed. And Mr F said the valuer also ignored a recent sale of a similar house in the same street.

Mr F said the valuation was much lower than expected, and was only a present condition valuation, not a valuation after the expected work was completed. Mr F appealed, and he said he also spoke to two local estate agents, who both provided values much higher than Nationwide's valuer, but Nationwide wouldn't use these figures. Mr F said the appeal was prolonged, and shouldn't have been sent back to the original valuer. It was refused.

Mr F said he then challenged the valuation directly with the survey company, and eventually the after works valuation was increased. Mr F said if he hadn't continued to challenge, the mortgage would have failed. Mr F said the mortgage could then proceed, but it still took about six weeks to input this manually, because Nationwide had a backlog of applicants.

Mr F said he got confirmation of the mortgage towards the end of July, but two days later, he was told there would be a retention. That hadn't been mentioned before, and Mr F said this should have been mentioned much earlier.

Mr F said when he finally got the mortgage offer, the only details of the retention were sent to him as a screenshot. Mr F thought sending a screenshot was totally unacceptable.

Mr F said he found out this retention had been added to the mortgage by the original rude valuer who had valued the property. Mr F said the valuer had doubted his and Miss M's intentions, and he thought it was entirely inappropriate for a valuer to judge a couple rather than their property.

Mr F said the retention meant he would have to complete the works before any money would be released. But Mr F said work had already started, and he'd paid a considerable amount of money out for the renovations, some of which wasn't refundable. Mr F said he could provide receipts for the work done so far, and for deposits paid, but he couldn't complete the work with this level of retention being withheld. Mr F said he felt Nationwide was blackmailing him.

Mr F said he complained, and the complaint was passed between different handlers. While this happened, Mr F said he and Miss M were living in a building site.

Mr F said Nationwide eventually agreed to release some of the retention before works were completed. But Nationwide would only release the rest when the works were completed to the satisfaction of the valuer. Mr F asked for a different valuer, but he said Nationwide refused. Mr F said he then found out this valuation company was a subsidiary of Nationwide.

Mr F said that in November 2022 he contacted Nationwide for consideration of the release of the outstanding funds. The same valuer returned, viewed the house, took into account receipts and proposed future works, but Mr F said that Nationwide didn't then get in touch, and he had to chase Nationwide to release funds in December 2022.

Mr F said the delay with remortgaging meant the cost of materials rose significantly. And he said it also caused considerable strain and mental stress to him and Miss M. He wanted Nationwide to make a number of changes to its processes, and to pay compensation.

Nationwide said Mr F complained about the valuation, and it dealt with an appeal against this for him, but in May 2022 that appeal was rejected. Nationwide understood Mr F had then spoken directly to the survey company, and that firm issued Mr F with a response on 5 July 2022. That didn't change the present condition valuation, but it did increase the after works valuation by £5,000. Mr F then confirmed he wanted to go ahead with the mortgage.

Nationwide said it implemented a retention on Mr F's mortgage, because otherwise it would have been lending him more than the value of the property at the time. Nationwide said it would normally discuss a mortgage retention with someone when the mortgage is about to go to the offer stage. But in Mr F's case, this didn't happen for quite some time, because he'd spent time challenging the valuation.

Nationwide said it then highlighted the retention when he confirmed he wanted to go ahead, and Nationwide carried out its final checks. Nationwide accepted it would have been helpful to ensure Mr F had understood this earlier, and it offered Mr F £300 to say sorry for that.

Nationwide said it applied the valuation in line with its own lending criteria. It could only release the money when the proposed works were done and checked. Nationwide said it wasn't responsible for Mr F's decision to start work before he got a mortgage offer.

Nationwide said it had also noted Mr F's complaint about the mistake over Miss M's name, and it would get this corrected. It had noted his feedback about the survey company, and that he didn't want the same firm carrying out a future reinspection. Nationwide said it didn't give customers a choice of the firm used for valuations. Nationwide assigns valuers according to location, expertise and availability. But it said it would see if it was possible to assign someone else for the reinspection.

When Mr F's complaint came to our service, Nationwide said that it initially paid out part of the retention in advance of the works, then the remainder when Mr F demonstrated progress. Mr F had asked for the last part of the funds on 23 November, and it paid the remaining money on 2 December. So all the funds had now been released to Mr F. Mr F hadn't accepted its offer of £300, but he and Miss M could still accept that if they wanted to.

Our investigator didn't think this complaint should be upheld. He said that Mr F, Miss M and Nationwide had changed the requested borrowing slightly in the initial discussions, to reduce the loan to value. Then Nationwide appointed a survey firm with the appropriate professional qualifications. Our investigator said Nationwide was entitled to rely on what the survey company said. Mr F was then offered a mortgage with a retention. Our investigator said there was a slight delay in providing this, because the application had to be keyed manually, so Nationwide could provide the rates previously available to Mr F and Miss M. In mid-July Mr F was told about the offer and retention.

Our investigator said Nationwide couldn't reach its lending decision before the valuation was finalised, so it wouldn't be fair to say Nationwide should have told Mr F about the retention sooner. And it was fair to apply a retention when Mr F wanted to borrow more than the present value of the property. This is how mortgage lenders make sure the work gets done.

Our investigator also said we couldn't look at what the surveyor did, that's outside the scope of our service. And he didn't think it was Nationwide's fault that costs increased while Mr F was trying to resolve concerns about the valuation.

Our investigator said Nationwide had been flexible, and released £6,000 of the retention in October 2022 when Mr F evidenced that part of the work was done. And it then released the remaining funds in December 2022, when most of the work was done.

Our investigator said he wouldn't ask Nationwide to change its processes, and he thought the payment of £300 Nationwide had offered was fair and reasonable in the circumstances.

Mr F then had a phone conversation with our investigator, in which he strongly disagreed with the view reached. Mr F wanted an ombudsman to consider this complaint, so it was passed to me for a final decision. Mr F also wanted the ombudsman to listen to the call he'd had with our investigator, and I can confirm I have done so.

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 reached the same overall conclusion on this complaint as our investigator.

It's clear that Mr F feels very strongly about this complaint. He has been very disappointed, and it appears perhaps somewhat offended, by the judgments of the firm that Nationwide commissioned in this case to provide a valuation. And he feels that a number of other aspects of Nationwide's service weren't acceptable.

I think, given the valuation of the property has been one of the core concerns in this case, that I should start by setting out the limitations of what our service can consider here. We can check Nationwide did what we'd expect it to do, which is to instruct a firm which holds the appropriate professional qualifications. But our service cannot query the opinions and judgments of the valuer that Nationwide engaged. That work isn't covered by our service.

I can see that Nationwide did instruct an appropriately qualified survey firm. As part of his complaint to us, Mr F is adamant that the firm Nationwide instructed is a firm it owns, and he's drawn conclusions from this about why the valuation of his property was reached. But I haven't looked at the conclusions Mr F has drawn from this, because I'm satisfied that this simply isn't the case. As our investigator has explained, the survey firm Nationwide instructed is not owned by Nationwide.

I would also expect Nationwide to commission an appropriate valuation. It's not clear to me whether Nationwide initially asked its valuer to advise on not just the current value of the property but also the value after the work that Mr F wanted to do had been completed. But I can see from the notes of Nationwide's detailed discussion about lending with Mr F and Miss M, in March 2022, that Mr F appears to have initially estimated the value of his property as much higher than the valuation report then suggested. So I can't see that Nationwide would have been aware from the outset that a valuation after completed works would be necessary. Nationwide did then request a valuation figure for the property with works completed, and this was provided by the firm.

Mr F's mortgage was then delayed significantly, because Mr F strongly disagreed with the valuation given for the property, after the proposed works were completed. Mr F said he wanted Nationwide to accept the view of two estate agents who had visited the property – he thought they knew the local market and were better placed to advise on value. But an estate agent valuing a property for sale is doing a very different job to a valuer providing a value for mortgage lending purposes. I wouldn't expect Nationwide to set aside its valuer's professional opinion on this basis.

As I've made clear above, the professional opinion of the survey firm Nationwide commissioned is not something our service can look into. Nationwide isn't responsible for the decisions its valuer makes, and it is entitled to rely on the professional advice it has commissioned.

I can see Nationwide did pass on the challenge Mr F made to the valuation, to the survey company for its consideration. I wouldn't expect Nationwide to do more than this. And I can see this challenge wasn't successful, as the survey company didn't then change its mind.

Mr F then appears to have challenged the report again, directly with the survey firm. And in this he appears to have been partially successful, because the valuation after works were completed did increase from £170,000 to £175,000 in July 2022. I don't think that changed valuation means Nationwide was wrong to rely on the earlier advice it was given.

Mr F then decided to go ahead with the lending, and he said that this was the first time Nationwide had mentioned any sort of retention to him. Mr F thought this should have been mentioned much earlier. He also said he thought the retention was applied by the survey firm, not by Nationwide. And he thought that the survey firm was judging him and Miss M, drawing conclusions that they weren't actually intending to renovate their home, which he said was both inappropriate and wrong.

I don't think Nationwide had to spell out for Mr F, the details of any potential lending to him, before it was clear that this lending would go ahead. And I don't think it was clear before mid-July, that Mr F would want to take up the lending Nationwide might offer. I also note that, as our investigator said, a retention was based on the current and future valuations of the property. As Mr F was challenging the assessment of the property's value, it wouldn't have been clear that a retention was going to be necessary or appropriate, until final figures were arrived at, and an offer was actually made to him. So, in short, I don't think Nationwide made a mistake by not setting out the retention requirement for Mr F before this point.

I also note that, whilst the survey firm can advise Nationwide on the current and future value of a property, its role ended there. It was the decision of the lender, Nationwide, as to how much to lend Mr F and what conditions to apply to that.

Mr F also felt the survey firm was implying he didn't intend to do the work, and judging him and his partner. I don't think it's appropriate for me to comment on the survey firm, for the reasons I've explained.

But I can set out the general position, which is that unfortunately, it's not unheard of for borrowers not to complete intended works, for all sorts of reasons. Where the lending then exceeds the current value of the property, that can cause difficulties for all parties. So it's not likely that Nationwide reached any decision on whether Mr F and Miss M were themselves intending to complete the work, or not, or that they relied on any individual assessment of that from the valuer. I think Nationwide just adopted a standard, precautionary approach, of not releasing more funds initially than it might be able to recover if, in the worst case scenario, the property had to be sold. It's not unusual for a lender to decide to withhold part of the money in these circumstances, and I don't think that's unreasonable

Mr F said he was given no details at all of the retention until after he'd accepted the mortgage illustration, and then was only sent a screenshot, which he said was completely inappropriate. I can understand if Mr F was expecting a more professional presentation from Nationwide at this point, but it appears that Mr F's mortgage offer was being manually processed at this time, in order to allow Nationwide to offer him a rate which was no longer available to all its customers. I would anticipate that this did cause a short delay at this point, and may also have affected how Mr F's offer was presented. I don't think Nationwide has to pay compensation just because of the way in which it's delivered information to Mr F.

I understand that the decision to apply a retention was particularly difficult for Mr F and Miss M, because they told us they'd started the work on their property in June 2022, well in advance of any decision by Nationwide to lend. But I don't think it's Nationwide's fault that Mr F and Miss M chose to do that.

I can see that Mr F requested a different valuer to review the property after the work was done. Mr F said Nationwide refused, but I can see that Nationwide said it would pass on this request to its valuation team, it just didn't know if there would be anyone else who was suitably qualified, available in his area. And I'm pleased to see that, in light of Mr F's obvious determination to complete the programme of renovations to his home, Nationwide took a flexible approach to its retention.

Mr F also said his mortgage application as a whole was delayed because it had to be manually processed from the outset. I haven't been able to see that this was the cause of delays to the initial consideration of Mr F's mortgage offer, or to the later release of the mortgage retention. I think it's likely Nationwide was very busy at this time.

Mr F also referred to repeated mistakes about Miss M's name. I can see that Nationwide acknowledged this mistake and apologised for it. I understand that when Mr F rejected our investigator's view on this matter, he was firmly of the view that our service's website said a mistake like this would always result in an award of £300 in compensation, although Mr F was then unable to locate this web page.

I don't think a payment of £300 in this case for a mistake over Miss M's name would be in keeping with the wider decisions of our service. I don't think Nationwide has to do more than it has already done here, which is to apologise for this.

Mr F said the costs of the work he wanted to complete had risen while he was disputing the valuation of his property, and he said he and Miss M had to start work in advance of funds being released, because otherwise they simply wouldn't be able to afford the work at all. I don't think it's Nationwide's fault that external costs rose while Mr F was challenging the valuer's opinion, or that Nationwide is responsible for any decision by Mr F and Miss M to start work before their offer was in place. I can see that Nationwide took a flexible approach to its retention, and I note that Mr F has praised Nationwide for this.

Mr F also complained that Nationwide asked repeatedly for written confirmation that an outstanding loan managed by a debt management company had been repaid. I think it's reasonable for Nationwide to wish to be entirely satisfied that this had been repaid, as Mr F had initially said, before it went ahead with proposed lending.

In summary, I think the main issue in this case is the mistake Mr F alleges Nationwide's valuer made over the value of his property. And that, unfortunately, falls outside of what I'm able to consider. I do think there were times when Nationwide's service could have been better, but I note that Nationwide hasn't only offered a payment of £300 in compensation here. It has also made an offer to Mr F and Miss M based on a rate which was no longer available to its customers, although I haven't been able to see it was obliged to do so. And it did, as I've noted, take a flexible approach to the release of the retention on this mortgage.

In light of all of the above, I think the payment Nationwide offered, of £300, does provide a fair and reasonable outcome to this complaint. For that reason, and although I know that Mr F and Miss M will be disappointed, I don't think Nationwide has to do more now than to make this payment which it previously offered.

My final decision

My final decision is that Nationwide Building Society must pay Mr F and Miss M the amount of £300 in compensation which it has previously offered for this complaint, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Miss M to accept or reject my decision before 27 December 2023.

Esther Absalom-Gough

Ombudsman