

The complaint

Mr and Mrs W complain that OneSavings Bank Plc trading as Kent Reliance (“Kent”) charged them for a valuation on a buy to let property, that they wanted to remortgage. But they said that no competent valuation was done, and they wanted the fee paid back to them.

What happened

This complaint is brought by both Mr and Mrs W, as the mortgage application was in both names. But our dealings have been with Mrs W. So I’ll mainly refer to her in this decision.

Mrs W said she and Mr W made a mortgage application in March 2022, for a property they own and rent out. She said they paid Kent £1,425 for a valuation fee. The valuation was carried out, and her broker told her the valuer couldn’t value the property. Mrs W said the same house had been remortgaged around six months earlier, and a sizeable value was placed on the house then. Mrs W said she wasn’t told why the house couldn’t be valued. She wanted back the fee they’d paid, because they’d got nothing for it.

Mrs W said Kent had acknowledged her complaint. It asked for evidence of similar properties sold around the area to back up a challenge to the valuation. She’d provided this in June 2022, but she told us she didn’t get a reply, despite several emails chasing this up.

Kent sent our service a complaint response letter, dated 13 June 2022 and addressed to Mr and Mrs W. That letter said their property had been given a nil value. But it stressed that the purpose of the valuation report is just as a basis for lending decisions by Kent.

Kent said its surveyor was professionally qualified, and they’d said the property wasn’t suitable as security for its lending. That was because the surveyor felt that there was poor demand for properties of this type in the area, which limits its resale potential. Mrs W had sent details of similar properties currently on the market, but Kent said it needed to see evidence of sales, preferably within the last six months.

Kent said it wouldn’t pay back the fee Mr and Mrs W had paid. It said the fee was to cover the cost of a valuation, and a valuation had been done. So Mr and Mrs W had paid for a service and they had received it, although Kent said it appreciated that the outcome wasn’t what they would have wanted.

Mrs W has shown our service that, following this, she emailed Kent with details of properties that had sold recently in her area. She asked Kent then if this was enough to reopen her case. She has shown us several emails she sent chasing a response to this, and told us she never received a reply.

When this case came to us, Kent accepted that further details of comparable properties had been sent, but it said it was under no obligation to consider further challenges.

Our investigator didn’t think this complaint should be upheld. She said Kent doesn’t have its own expertise in property valuation. So it had used an expert, an appropriately qualified surveyor to carry out the valuation. And the surveyor produced a report saying the property

wasn't suitable security for lending, due to restricted resale and poor demand. Kent relied on the contents of the report to make a lending decision, which is what we would expect them to do. Our investigator understood that Mrs W was unhappy with the surveyor's conclusions, but she said our service can't look into the actions of the surveyor specifically, as this isn't something covered by the remit of our service.

Mrs W said Kent had let her down, because she paid for a survey that wasn't satisfactorily completed. She said her property had been incorrectly valued for sale at nil, which was clearly unacceptable. But our investigator didn't change her mind. Mrs W wanted this complaint to be considered by an ombudsman, so it was passed to me for a final decision.

I then reached my provisional decision on this case.

My provisional decision

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

I'd like to start by dealing with Mrs W's central complaint point – that no competent valuation was carried out, and her fee should be returned. I'm sorry to tell Mrs W that I don't agree. I'll explain why.

Firstly, Mrs W's key challenge is to what the surveyor said. And we can't change that conclusion for Mrs W. It doesn't fall within the scope of what our service is allowed to consider. So all I can do is note that the surveyor reached their own professional decision on whether the property was suitable security for Kent's lending. And they said not.

Mrs W said this couldn't possibly be right – assigning a sale value of nil just meant the surveyor couldn't do their job. But the valuation of nil doesn't mean Mr and Mrs W's property is worthless. This isn't a valuation for sale purposes, so it's not an indication of what they would get if they put the house on the market. What the valuer is doing is something quite specific - assessing whether Kent should lend money on the property.

If a house is likely to appeal to a smaller resale market, or unlikely to generate much demand in the market, then lenders want to know this before they offer a mortgage secured on that property. In the worst case scenario, if something prevents a borrower from paying their mortgage, lenders want to know that they can sell the mortgaged property. And it's important, in that worst case scenario, for a lender to know that the property can be sold relatively quickly. That's because if someone's not able to pay their mortgage and the house needs to be sold, the borrower's debt keeps rising while the property's waiting to sell.

But, as I've explained, our service can't question the decision the surveyor made. Surveyors aren't covered by our service. All we can do is look at the decisions that Kent made.

Here, it instructed a qualified surveyor. It got a report, which said the surveyor wouldn't recommend lending on this property – and that involves a valuation for lending purposes only of nil.

Kent relied on that report, and decided not to lend to Mr and Mrs W. I don't think that the report was obviously incompetent, as Mrs W has suggested. So I think relying on this report was a reasonable thing for Kent to do.

Kent also said Mrs W could send evidence of comparable sales, if she wanted to challenge this report. Mrs W sent details of asking prices for local properties. Kent didn't change its mind, as it has, quite reasonably, said the best evidence comes from houses that have actually sold. It sent Mr and Mrs W a complaint response letter, saying it wouldn't change its mind.

But then Mrs W sent another email, with details of properties she considered were comparable, which had sold relatively recently. She sent this on 20 June, after she received Kent's complaint response letter, and asked if this was enough to reopen her case. Kent did send a reply, and it told her it had sent her new evidence to its real estate section to review, but it then doesn't actually appear to have reviewed this, or sent any further response at all.

I don't think Kent was under an obligation to review the decision of its surveyor at this point, or to ask its surveyor to reconsider. Kent doesn't actually offer any sort of formal appeals process for its valuations, but it had reviewed what it had done, the first time Mrs W objected. I don't think it had to keep reconsidering, each time Mrs W objected. However, I think that failing to reply at all to Mrs W was poor service, and has meant this issue remained unresolved for her, for longer than I think was necessary. For those reasons, I will ask Kent to make a payment of £100 now, because instead of responding to Mrs W to say that the issue was closed, it appears to have accepted it would review her further submissions, but not actually done so.

I know that Mrs W will be disappointed by this award, because she paid much more than this for a survey, and she wanted all that money back. But, for the reasons set out above, I don't think Kent has to do more than this.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Neither side has 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.

Neither side has offered any further evidence or argument, and I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that OneSavings Bank Plc trading as Kent Reliance must pay Mr and Mrs W £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 6 July 2023.

Esther Absalom-Gough

Ombudsman