

The complaint

Ms D and Mr M complain about the way Target Servicing Limited handled their request to redeem their Help to Buy loan.

What happened

Ms D and Mr M took out a Help to Buy loan in 2016 when they purchased their property. Target were appointed to administer the loan on the lender's behalf.

In February 2021, Mr M emailed Target to let them know that he and Ms M wanted to 'staircase' their loan. He told them the flat had cladding issues, and asked if there was a list of approved valuers Target wanted them to use to value the property. Target responded and said they were happy for Ms D and Mr M to proceed to instruct any Royal Institution of Chartered Surveyors (RICS) certified surveyor. They said if the market value was affected by the cladding issues, they would need to pass the account to the lender for review. They also asked for a copy of the EWS1 form (External Wall System) if they had one.

In November 2021, Ms D and Mr M instructed a RICS certified surveyor to complete a valuation of the property and sent this to Target. The value of the property at that time was £426,000. Once Mr M had informed them there was no EWS1 form for the building the property was in, Target told Mr M the request would be passed to the lender to review, as there had been more than a 10% reduction in the property's value since the loan was taken out.

In February 2022, Mr M complained to Target as he still hadn't received a response to his redemption request despite chasing during December and January. Target upheld the complaint. They said that due to an oversight, Ms D and Mr M's request had not been sent to the lender to review. They apologised and paid £100. They also said that as the valuation had expired, Ms D and Mr M would need to get a new one, but Target agreed to pay for that.

Mr M sent an updated valuation to Target, and this was passed to the lender to review in May 2022. In September 2022 Mr M contacted our service as Target still hadn't processed the redemption of the loan, or provided him with a timeframe of when this might happen. Target increased their offer for distress and inconvenience to £250. Mr M told us that he was planning to redeem the loan by taking out additional borrowing with his existing mortgage lender, and using some savings. Ms D and Mr M had received an agreement in principle from their mortgage lender to borrow an additional sum of around £102,000. Mr M said the application didn't proceed to offer as the lender wouldn't proceed until they had a redemption figure from Target.

Our Investigator looked into things and explained that Target should have accepted Ms D and Mr M's valuation when they sent it in November 2021, and they should have begun the redemption process. However, he wasn't persuaded there was enough evidence to show that had Target done so, Ms D and Mr M had the means to repay the loan at that time. He recommended Target pay Ms D and Mr M another £100, making a total of £350, and said they should process the redemption as soon as possible.

Mr M explained they'd had two meetings with their existing mortgage lender about the borrowing and the lender confirmed verbally they were happy to provide the funds. It was Target's delays which meant they weren't able to get a formal mortgage offer. Mr M wasn't happy with the outcome, but his priority was redeeming the loan, so he accepted the Investigator's view on the basis that Target would now process the redemption quickly. Target agreed to the Investigator's view and the complaint was closed.

In March 2023 Ms D and Mr M made another complaint as they were still no further forward with the redemption of their loan. Ms D and Mr M had decided to try and sell their property, and had instructed another valuation, which stated a value of £600,000. Target explained the account was still with the lender of the Help to Buy loan to review, and redemption couldn't take place until that review had been completed.

Our Investigator said that Target should compensate Ms D and Mr M for the continued delays. He said that if Target allow Ms D and Mr M to redeem the loan now and the sale can proceed, Target should pay them £600 in addition to what had already been paid.

Ms D and Mr M disagreed with the Investigator's opinion. They said they had provided evidence that they could have redeemed 62% of the loan using savings. So at the very least, if they were unable to secure the additional borrowing, they would have redeemed that much by staircasing the loan, as it wasn't a requirement of the lender to redeem in full. They also said their existing mortgage lender was aware of the cladding on the property and said they were still willing to lend the additional funds on that basis. They asked for their complaint to be passed to an Ombudsman.

In June 2023, the administration of Ms D and Mr M's loan was passed from Target to another administrator. A sale was agreed for Ms D and Mr M's property, and completed in August 2023 when the loan was redeemed in full.

The complaint was passed to me to issue a decision.

My provisional decision

I issued a provisional decision on 29 January. This is what I said.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Whilst this service has considered Ms D and Mr M's concerns over two separate complaints, as the issues are all linked and have not been resolved, I have considered all events within this decision.

Target were not the lender of Ms D and Mr M's loan, but they were the regulated administrator. That means our service has the power to consider the actions they took when administering the loan. As a regulated administrator, Target are required to perform the lender's duties and exercise the lender's rights on their behalf – and should do so in a way that is fair and reasonable.

The terms of Ms D and Mr M's loan allowed them to redeem it at any time. The terms state (in summary), that if Ms D and Mr M wanted to redeem the loan, they would have to apply in writing, and instruct a valuer to determine the market value of the property whose decision shall be final. They would then have three months to repay the amount owed (which in this case was 30% of the market value), and the lender would discharge the security.

The terms also allowed Ms D and Mr M to repay the loan in part if they wished. The same

process would be required in terms of providing a valuation, but they would have to repay a minimum of 10% of the market value, provided that would leave an outstanding loan of more than 5% of the market value. This is also known as staircasing.

In November 2021, Ms D and Mr M instructed a suitably certified valuer to assess the property and sent the valuation showing the market value to Target. According to the terms of the loan, that valuation should have been final, and Ms D and Mr M should have had three months to redeem their loan based on that valuation. But that didn't happen. Target did not accept the valuation provided (on behalf of the lender), and so didn't provide a redemption figure. I'm satisfied that as the regulated administrator, Target should have performed the lender's duties as set out in the agreement and done so fairly and reasonably. And that means, accepting the valuation Ms D and Mr M provided in November 2021 and proceeding to redemption.

The terms and conditions say that an agreed valuation is final in setting the redemption sum. There is no power for the lender to "review" or delay a redemption because there is cladding on the property, because the value has fallen since purchase, or for any other reason. In failing to allow redemption to progress, Target were not carrying out the lender's duties. And in delaying it, Target were exercising a right the lender did not have. I do not think that was fair and reasonable.

So I will now go on to consider what would have happened had Target done what it should have done in November 2021.

Ms D and Mr M initially told Target they wanted to staircase their loan in February 2021. They've told our service they were planning to use their savings to do that. Ms D and Mr M were aware their property was impacted by issues with the cladding on the building at that time. They've said that they later discovered lenders were prepared to lend on properties affected by cladding, and so discussed additional borrowing with their existing mortgage lender which would enable them to redeem the Help to Buy loan in full. They said they had meetings with their lender to discuss their application and were given assurances that the lending wouldn't be a problem - despite the cladding - and received an Agreement in Principle. Mr M has told us that the only hurdle in securing a mortgage offer was obtaining a redemption figure from Target.

Based on the November 2021 valuation, Ms D and Mr M would have needed to pay around £128,000 to redeem their Help to Buy loan in full. I've seen evidence to show that Ms D and Mr M's existing mortgage lender had agreed to lend them an additional £102,000 in principle. Mr M has told us they were going to use some of their savings to pay the difference, and if their lender wasn't ultimately able to lend them the full £102,000 they'd asked for, they would have used more of their savings. Mr M has provided evidence to show they had around £69,000 available at the time (in a mixture of savings and current accounts), and has also told us they had an overpayment balance on their mortgage they could also have withdrawn.

Whilst I appreciate Mr M has told us he and Ms D were given assurances by their existing mortgage lender that the additional borrowing wouldn't be a problem, an agreement in principle is very different from a formal offer to lend. There are lots of checks that need to take place before a lender will agree to formally lend funds to a borrower, and that would include satisfying themselves that the property was suitable security.

Mr M has told us the lender had said the cladding on the property wouldn't have been a problem, but whilst it's plausible he was told that, I'm not persuaded that would have been the case had the application been fully processed. I've seen a copy of the EWS1 form that

was completed in February 2023 for the building the property was located in, and that gave a B2 rating, which means that the fire risk was sufficiently high that remedial works were required. That form hadn't been completed at the time Ms D and Mr M applied for the borrowing, but Ms D and Mr M were aware their property was affected by issues with the cladding, and no remedial works had yet been planned. So, based on that, and what I know about the actions of mortgage lenders around that time when presented with similar issues, I'm persuaded it's unlikely that Ms D and Mr M would have been able to secure the additional borrowing they needed to redeem their Help to Buy loan in full at that time.

However, whilst Ms D and Mr M may not have been able to redeem the loan in full, the terms did allow for them to repay part of the loan (at a minimum of 10% of the value). Mr M has told us that was what they had originally planned to do, before they thought they may be able to borrow funds in order to repay in full. And he's also told us that had the lending not gone ahead, they would have used their savings to repay some of the loan instead. Having considered everything provided, I'm persuaded that's likely.

I say that because when Mr M initially enquired with Target about paying the loan in February 2021, he asked about staircasing. Interest became payable on the loan in 2021, and Ms D and Mr M had started to have to make payments. Although Ms D and Mr M were hoping to borrow funds to pay towards the loan, they would always have needed to use some of their savings to redeem in full based on the value as it was in November 2021, as the borrowing would not have covered the full redemption of £128,000. I've seen evidence that Ms D and Mr M had savings and cash held in accessible accounts at that time. And I think on balance, if they were given the chance, they would have used it to reduce the balance, and avoid having to pay as much interest on the loan as they were.

In line with the contract the minimum payment Ms D and Mr M could have made to the loan in November 2021 was £42,600, as that was 10% of the market value at the time. That would still have left a loan outstanding for more than 5% of the value as required under the contract. From looking at the evidence Mr M has sent us, I'm satisfied he and Ms D would have been able to pay that without the need for any borrowing. And I think on balance that's what they would have done had Target acted as they should have done.

I'm not persuaded Ms D and Mr M would have used all their available cash at that time to pay towards the loan. That's because the evidence Mr M sent us included the money in their current accounts, which they would need for daily expenses, and also at that time there was still a lot of uncertainty about what would happen with the property, the necessary remedial works, and any future sale that Ms D and Mr M were hoping to achieve in the near future. I think Ms D and Mr M would have wanted to keep some cash available in case they needed it for any of those events. So weighing up everything, I'm persuaded they would have repaid 10% of the market value of the property towards their Help to Buy loan (being £42,600) had they been given the opportunity to do so.

Putting things right

Ms D and Mr M redeemed their loan in August 2023 on the basis of a higher market valuation of £600,000. That means they paid £180,000. I've said that if things happened as they should have done in 2021, Ms D and Mr M would have paid 10% of the value at that time (£42,600), which would then have left them with 20% to pay upon redemption in August 2023 – which would have been £120,000 based on the 2023 valuation.

That means Ms D and Mr M ought to have paid a total of £162,600 to repay the capital balance. That's £17,400 less than they did actually pay. So to put things right, Target need to pay Ms D and Mr M £17,400. They will also need to pay 8% simple interest* on that amount from the date the loan was redeemed in August 2023, to the date of settlement.

Ms D and Mr M have also paid interest on the loan in the meantime. As I'm satisfied the proportion of the value borrowed ought to have been reduced in November 2021, and the remaining proportion that Ms D and Mr M would have needed to pay at that point would have been 20%, this means they paid more interest from November 2021 to August 2023 than they should have done.

They've paid interest on 30% of the initial value rather than 20% during that period. As a result, Target should refund the difference between the interest Ms D and Mr M paid during that period, and what they should have paid had the interest been based on a 20% proportion of the initial value. They will also need to pay 8% simple interest* on that amount calculated from the date of each payment to the date of settlement.

Target have already paid £350 for the distress and inconvenience their delays have caused. I agree with the Investigator that this amount needs to be increased. Ms D and Mr M were trying to sort out the redemption of their loan for almost two years. During that period, Target did not give them any information about what was happening other than telling them the account was being reviewed by the lender, despite numerous chasers. For the reasons I've explained above, I'm still satisfied the loan would have been in place until August 2023 when the property was sold, but if Target had allowed Ms D and Mr M to redeem part of the loan in November 2021 and were clear about the next steps, I'm satisfied it would have saved Ms D and Mr M a lot of distress and inconvenience during the period that followed. As a result, I'm satisfied Target should pay Ms D and Mr M another £600 to put things right. This is in addition to the £350 already paid – making £950 in total.

Target should pay this sum to Ms D and Mr M within 28 days of the date we notify Target they have accepted my final decision, if they do. If payment is not made within 28 days Target must add interest at 8% simple running from the date of my final decision to the date payment is made.

Whilst I acknowledge that at the point the loan was redeemed, Target were no longer the administrators, I'm still satisfied they are responsible for putting things right in this case, as they're the business that are responsible for the losses Ms D and Mr M have suffered. The loss may have crystallised at the point of redemption, after Target were no longer the administrators. But the loss was incurred and flows from Target's failure to progress the redemption in 2021.

*Interest is at the rate of 8% a year simple. If Target considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms D and Mr M how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate."

Responses to my provisional decision

Target highlighted that the valuation completed in August 2023 included the parking space at Ms D and Mr M's property. The value of the flat without the parking space was £570,000. They said that was the valuation used to calculate the redemption figure in 2023.

In light of this, I sent both parties a revised explanation of how this complaint should be settled. Please see below.

"Ms D and Mr M redeemed their loan in August 2023 on the basis of a higher market valuation of £570,000. That means they paid £171,000. I've said that if things happened as they should have done in 2021, Ms D and Mr M would have paid 10% of the value at that time (£42,600), which would then have left them with 20% to pay upon redemption in August 2023 – which would have been £114,000 based on the 2023 valuation.

That means Ms D and Mr M ought to have paid a total of £156,600 to repay the capital balance. That's £14,400 less than they did actually pay. So to put things right, Target need to pay Ms D and Mr M £14,400. They will also need to pay 8% simple interest* on that amount from the date the loan was redeemed in August 2023, to the date of settlement. Ms D and Mr M have also paid interest on the loan in the meantime. As I'm satisfied the proportion of the value borrowed ought to have been reduced in November 2021, and the remaining proportion that Ms D and Mr M would have needed to pay at that point would have been 20%, this means they paid more interest from November 2021 to August 2023 than they should have done.

They've paid interest on 30% of the initial value rather than 20% during that period. As a result, Target should refund the difference between the interest Ms D and Mr M paid during that period, and what they should have paid had the interest been based on a 20% proportion of the initial value. They will also need to pay 8% simple interest* on that amount calculated from the date of each payment to the date of settlement.

Target have already paid £350 for the distress and inconvenience their delays have caused. I agree with the Investigator that this amount needs to be increased. Ms D and Mr M were trying to sort out the redemption of their loan for almost two years. During that period, Target did not give them any information about what was happening other than telling them the account was being reviewed by the lender, despite numerous chasers. For the reasons I've explained above, I'm still satisfied the loan would have been in place until August 2023 when the property was sold, but if Target had allowed Ms D and Mr M to redeem part of the loan in November 2021 and were clear about the next steps, I'm satisfied it would have saved Ms D and Mr M a lot of distress and inconvenience during the period that followed. As a result, I'm satisfied Target should pay Ms D and Mr M another £600 to put things right. This is in addition to the £350 already paid – making £950 in total.

Target should pay this sum to Ms D and Mr M within 28 days of the date we notify Target they have accepted my final decision, if they do. If payment is not made within 28 days Target must add interest at 8% simple running from the date of my final decision to the date payment is made.

Whilst I acknowledge that at the point the loan was redeemed, Target were no longer the administrators, I'm still satisfied they are responsible for putting things right in this case, as they're the business that are responsible for the losses Ms D and Mr M have suffered. The loss may have crystallised at the point of redemption, after Target were no longer the administrators. But the loss was incurred and flows from Target's failure to progress the redemption in 2021.

*Interest is at the rate of 8% a year simple. If Target considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms D and Mr M how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate."

Ms D and Mr M said they had nothing further to add.

Target provided a detailed response, which I've summarised below.

- In February 2021, Target were under specific instruction from the lender not to agree the appointment of any valuers relating to properties like Ms D and Mr M's and the matter was to be referred to the lender. Whilst Target acted contrary to those instructions, the email they sent Mr M in February 2021 made it clear that the appointment of any RICS certified valuer was conditional upon the valuation meeting

the lender's valuation requirements. Those requirements were included in the Customer Information Pack which was published online.

- On 5 May 2021, the lender replaced the Customer Information Pack with its Revised Redemption Guidance. This was updated again in August 2021 with Specialist Valuation Guidance, which stated that in order for the appointment of a valuer to be agreed in respect of any property which is affected by cladding, the borrower's proposed valuer would first need to sign a copy of the Declaration attached to the lender's guidance notes which was available online. The Declaration required the valuer to investigate the estimated costs of remediation, who was responsible for the costs, whether any claim for the works had been accepted, and whether any remediation funds were available in the sinking charge. It is unreasonable that Target's email sent in February 2021 provided conditional acceptance of Ms D and Mr M's valuer for an unspecified period. The lender's revised guidance notes were publicly available, and the borrowers would have been aware of them.
- The November 2021 valuation did not include the signed declaration and as such, the appointment of the valuer was not agreed and should have been rejected by Target. The lender has confirmed that even if the declaration had been signed, the valuation would have been rejected in any event, as the necessary investigations had not been completed regarding remediation works. In fact, a grant claim had been accepted for the works, but this had been ignored by the valuer. Instead, the valuer provided a 20% discount for a cash purchaser and deducted a further £50,000 for a contingency for remedial works. It had not been evidenced how they reached those conclusions. As a result, even if the valuer had been correctly appointed, the November 2021 valuation could not have been relied on and it didn't comply with the definition of the Market Value set out within the terms of the loan.
- There are separate provisions within the loan terms for redemptions in full and part, with different processes that need to be followed. In order to apply for a redemption, a Form B needed to be submitted. On that form, Ms D and Mr M said they wanted to redeem the loan in full. As a result, they needed to follow the process set out in Clause 7 of the loan terms. Clause 7.1.3 says *"At any time within three months (or four if extended by the Valuer) of service of the Valuation Notice the Borrower may pay an amount equal to the Repayment Sum together with any reasonable costs and expenses incurred by the Lender pursuant to this Mortgage and together with any other sums payable and outstanding under this Mortgage."* The terms only permitted the repayment of the entire loan balance owing to the lender. There is no ability for the borrowers to change their minds and then only make a partial redemption. If the borrowers wanted to make a partial payment, they would have had to follow the separate process set out within Clause 8.
- They accept Ms D and Mr M did receive distress and inconvenience and agree to pay them £600.
- At the time Ms D and Mr M bought this property there was a £600,000 cap on the total value, including any extras such as parking spaces. It is likely that the value of Ms D and Mr M's property, including the parking space, exceeded the cap and so Ms D and Mr M should never have qualified for the Help to Buy scheme in the first place.
- Ms D and Mr M disclosed in July 2023 that they were living at a separate address. The lender doesn't permit subletting without its consent, and an application has never

been made. If the property was sublet, there is the potential that any claimed loss has already been mitigated by Ms D and Mr M via the recovery of rent.

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'm still satisfied that Target have treated Ms D and Mr M unfairly, and should take steps to put things right.

I appreciate Target's point that Mr M initially enquired about staircasing the loan in February 2021, but then didn't proceed with the valuation until November 2021. I understand from Ms D and Mr M that they were looking at their options given the property was affected by cladding, and whilst initially planning to staircase the loan, they changed their minds and decided to redeem in full as they thought their mortgage lender would give them additional borrowing. But I accept that the lender's relevant guidance and process changed twice during that period. Target had not explained or referred to that change in guidance before I issued my provisional decision.

The email Target sent in February 2021 said "we are happy for you to proceed to instruct any RICS certified surveyor. If your market value is effected by the cladding issues please note that we will be required to forward your account to the lender's legal team to review." It also referred Mr M to the website containing the customer information pack for more information. Based on what Target have now said, the contents of this email were incorrect, and Target should not have told Mr M to instruct a surveyor as the lender had told them not to.

Target's email did not contain a deadline by which Ms D and Mr M had to send their valuation report to them. Target haven't provided any evidence to suggest information about a deadline or timeframe by which the valuation needed to be instructed was included in the customer information pack available online either.

However, the terms of the loan state that the valuation should be instructed within 14 days of the borrower giving notice to the lender of the intention to redeem. This is now relevant as I've become aware the guidance and the process did change during the period of time between Mr M contacting Target to ask what surveyor they should use, and actually instructing them.

If things had happened as they should have done, according to what Target have now said, when Mr M contacted Target in February 2021, they would have referred his query to the lender, and not told him he could instruct a surveyor. It's unclear what the lender would have done at that point, but given the redemption guidance was updated in May 2021, and again in August 2021, I think it's likely that Mr M would have been kept waiting until at least May, before he was given guidance on how to proceed.

In any event Ms D and Mr M didn't take steps to redeem the loan until November 2021. So, based on the guidance as it was at that time, Target should have told Ms D and Mr M at that point about the process they needed to follow before a valuer could be agreed. As Target have said, this would have involved the valuer having to sign a declaration to confirm they had investigated the specific questions asked about the cladding and any remediation works that were required.

Target have said the valuation Ms D and Mr M sent in November 2021 would have been rejected by the lender, as it did not meet the lender's requirements. It didn't contain the

declaration or the specified information about the cladding and remedial works. But the valuer wasn't asked to do that at the time. That was the fault of Target not Ms D and Mr M. Ms D and Mr M had followed Target's instructions, and provided a valuation. Target did not give Ms D and Mr M the opportunity to submit a valuation to Target that would have met the lender's requirements. They had acted on the instruction of Target to appoint any RICS certified surveyor.

I appreciate Target have said the correct process was available online for Ms D and Mr M to review, but they'd submitted the valuation to Target in good faith and had received an acknowledgement informing them it had been passed to the lender for review. I think it would have been reasonable for Ms D and Mr M to assume that if Target had not told them they'd submitted a valuation which quite clearly did not meet the lender's requirements (as it obviously didn't), they would have been told about that so they could sort out what was needed. Target had asked them for an EWS1 form, but when Mr M said they didn't have one, Target said the valuation had been referred. At no point did Target tell Ms D or Mr M about the need for a signed declaration or specialist valuation. As far as they were aware, the lender was reviewing the valuation and there was nothing more they needed to do to progress the redemption.

Target have said the valuation should have been rejected immediately. If it had been, and Ms D and Mr M were given the correct information about the type of valuation they would need, they would have had the opportunity to instruct one. They weren't given that opportunity by Target. Had the valuer been agreed in line with the lender's requirements at the time, any valuation reached would have been final and Target would have had to produce a redemption figure based on that valuation as per the loan terms.

Target have also said that once Ms D and Mr M had begun the redemption process to repay the loan in full, they would not have been able to simply switch to a staircasing application if they weren't able to borrow the funds needed for a full redemption. There was a separate process for staircasing, and Ms D and Mr M would have had to follow that process instead.

I agree with Target that if Ms D and Mr M were unable to redeem in full, they would have had to follow a different process to repay a different amount. That is clear in the loan terms. But Ms D and Mr M weren't given the opportunity to start that process and apply for a part redemption as Target never agreed the market value or gave a redemption figure (on behalf of the lender). The partial redemption process was not particularly onerous, and I've not seen anything to suggest that had Ms D and Mr M been given the opportunity to redeem in part, they wouldn't have done it. It's clear from the email correspondence and complaints raised throughout this process that Ms D and Mr M were keen to repay this loan as soon as possible, and I'm persuaded that if they had been told they needed to follow a different process to pay off some of the loan when full redemption became impossible, they would have done so.

For these reasons, I'm still satisfied that Ms D and Mr M were prevented from redeeming their loan in part in November 2021 as a result of unfair treatment by Target.

Target have said they're concerned that Ms D and Mr M's property did not meet the eligibility criteria for the Help to Buy scheme as the parking space they purchased separately could have taken the total value of the property over the £600,000 cap. Whilst that may be the case, I'm not persuaded that changes anything in terms of how Target handled the redemption of the loan. It was for the lender to ensure they were satisfied that Ms D and Mr M's property purchase met their criteria. If it didn't (and we don't actually know that it didn't), I'm not persuaded that should have any bearing on the redemption process, or the fact that as customers of Target, Ms D and Mr M should have been treated fairly and reasonably, and in line with the loan terms.

Putting things right

Target have said the valuation of Ms D and Mr M's property carried out in November 2021 would never have been accepted. But, had Ms D and Mr M instructed a surveyor in line with the lender's Specialist Valuation Guidance as it was at that time, there was no provision in the contract for Target to reject the valuation once the valuer had been agreed. The only reason a specialist valuation hadn't been instructed, was because Target had not made Ms D and Mr M aware they needed to instruct one.

The difficulty here is that specialist valuation never happened, as Target didn't tell Ms D and Mr M they needed to instruct it. We will never know the definitive outcome of what that valuation may have said had Ms D and Mr M been asked to instruct it. So in the absence of that, we have the actual valuation carried out at the time (by a RICS qualified surveyor), and the supplementary information Target have now provided about the successful Building Safety Fund claim.

The November 2021 valuation did include a 20% discount as the valuer stated that due to the cladding, the property was not suitable security for mortgage purposes. So any buyer would need to be a cash buyer. I'm not persuaded that outcome would have been any different had the valuer investigated the specific cladding related questions set out in the declaration.

The Specialist Valuation Guidance stated that the surveyor needed to value the property for the purposes of the equity loan and consider the impact of the external cladding. It also said the valuer will consider any external cladding and the impact on the market value of the property. I'm satisfied that the valuer that valued the property in November 2021 did consider the impact of the cladding on the market value. The report was also prepared by an MRICS qualified surveyor as well as an AssocRICS registered valuer (as required by the lender).

Target have also pointed to the fact that the valuer deducted £50,000 from the market value of the property for potential contributions to the remediation works needed on the building. That potential cost was something that the lender of Ms D and Mr M's loan wanted the valuer to comment on as part of their investigation. Whilst it was confirmed in February 2022 (three months after the valuation took place) that a successful claim had been made for the remediation works needed on the building, that confirmation letter also said that it hadn't been ruled out that leaseholders would need to contribute. I accept the letter said the risk of that was low, but nonetheless it hadn't been ruled out. That claim had not been successful at the time of the valuation, so I'm not persuaded that had the valuer investigated any outstanding claims in line with the Specialist Valuation Guidance, the outcome of that investigation would have been any different. In November 2021, it was not known whether leaseholders would need to contribute towards the cost of the works, and that was reflected in the valuation.

Overall, for the reasons I've set out above, I'm still satisfied that the valuation carried out in November 2021 is a reasonable basis for calculating the redress settlement due to Ms D and Mr M.

Additional points

Target have said that if Ms D and Mr M's property was sublet, there is the potential that any claimed loss has already been mitigated by Ms D and Mr M via the recovery of rent. Mr M has told us that they were not renting out the property. So I'm not persuaded he and Ms D have received any benefits from the delays in redemption in the form of rent.

Having considered everything both parties have said, I'm still satisfied that had things happened as they should have done, Ms D and Mr M would have been able to repay 10% of the value of their property based on the November 2021 valuation. They weren't able to do that as a result of the way Target handled their redemption request. As a result, Target should do the following to put things right:

- Pay Ms D and Mr M £14,400.
- Pay Ms D and Mr M 8% simple interest* on that amount calculated from the date the loan was redeemed to the date of settlement.
- Refund the difference between the interest Ms D and Mr M paid between November 2021 and August 2023, and the interest they should have paid if the interest calculation had been based on an outstanding loan of 20% of the initial value when the loan was taken out.
- Pay Ms D and Mr M 8% simple interest* on that amount calculated from the date of each interest payment to the date of settlement.
- Pay Ms D and Mr M £600 for the distress and inconvenience Target have caused. This is in addition to the £350 already paid. Target should pay this sum to Ms D and Mr M within 28 days of the date we notify Target they have accepted my final decision, if they do. If payment is not made within 28 days Target must add interest at 8% simple running from the date of my final decision to the date payment is made.

*Interest is at the rate of 8% a year simple. If Target considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms D and Mr M how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

Considering everything, for the reasons I've explained, I uphold this complaint and instruct Target Servicing Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D and Mr M to accept or reject my decision before 19 March 2024.

Kathryn Billings
Ombudsman