

The complaint

Mrs M has complained about poor customer service by more 2 life Ltd trading as Standard Life Home Finance (referred to here as Standard Life) during an application for an lifetime equity release mortgage.

To settle the complaint, Mrs M wanted Standard Life to apologise, compensate her for distress and inconvenience, reimburse her legal costs and cover the difference in any interest rate over 3.64% she is offered by any other lifetime mortgage company.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, so there is no need for me to repeat the details here. I will instead concentrate on giving the reasons for my decision. In addition, our decisions are published, so it's important I don't include any information that might lead to Mrs M being identified. So for these reasons, I will keep my summary of what happened quite brief.

In April 2022 Mrs M applied for a lifetime mortgage with Standard Life, through her own independent mortgage broker. She wanted to borrow £1.175m, a figure that was based on an estimated property value of £3.2m.

As part of the application process Standard Life instructed an independent surveyor to inspect the property, and a valuation was carried out on 26 April 2022. The surveyor thought the property should be valued at £2.1m. The solicitors acting for Standard Life identified an issue in the lease with an escalating ground rent. Because Mrs M was also the freeholder, this was resolved by a Deed of Variation.

On 13 July 2022 a mortgage offer was issued for a loan of £1.175m. The offer was valid for 42 days from that date. This showed the valuation of £2.1m. However, this was an error, because the maximum loan-to-value (LTV) Standard Life would allow was 36.75% for this application, based on Mrs M's age and the property valuation. This would only provide for a maximum loan of £771,750.

Standard Life's records show that on 15 July 2022 there is a note that the broker queried the offer, saying it was incorrect. The broker later clarified that he assumed the valuation of £2.1m was a typing error. A new Key Facts Illustration (KFI) was issued on 15 July 2022 for a loan of £771,750, based on the valuation of £2.1m.

The valuation was challenged by the broker, because this was the first time he or Mrs M had been aware of it. Standard Life referred back to the surveyor, who was able to justify his valuation of the property. The broker provided what he said were comparables, but these were properties sold within the previous ten years.

On 19 July 2022 Standard Life explained to the broker that it would need comparables from the last six months, for a similar type of property of a similar age and size and within 3km of

the property, but preferably within 800m. If these could be provided, Standard Life said it would forward them to the valuer to see if there was any change to the valuation.

On 29 July 2022 and 12 August 2022 Standard Life chased the broker for an update. A response was received on 12 August 2022, but this was a formal complaint, rather than the broker providing the information Standard Life needed in order to ask the surveyor to revisit the valuation.

The complaint was acknowledged by Standard Life on 17 August 2022, and a final response letter was issued on 21 September 2022. Standard Life acknowledged that there had been some legal issues relating to the required Deed of Variation which had resulted in some delay. As a result of this the solicitors had closed the case on 11 June 2022. However, once the legal issues were resolved, the mortgage offer was issued.

Standard Life didn't agree that the surveyor had acted incorrectly or that the valuation – which was for the purposes of an equity release mortgage, rather than an estate agent's valuation for sale – was inaccurate.

Because of delays caused by the solicitors in relation to the legal issues. Standard Life offered an ex gratia goodwill payment of £150 for this.

Dissatisfied with Standard Life's response, Mrs M brought her complaint to our service. An investigator looked at what had happened and having done so, he thought the complaint should be upheld.

He explained that Standard Life should have told Mrs M about the valuation. Because it didn't do so, Mrs M wasn't aware until the offer was issued that the property had been valued at £2.1m until the mortgage offer was issued. The investigator was satisfied that there had been no error in relation to the valuation.

The investigator noted that the offer issued on 13 July 2022 was made in error, and didn't think Standard Life should be held to this. However, he thought that Standard Life should issue a revised offer based on the interest rate, valuation and loan amount detailed in the KFI issued on 15 July 2022. He thought that Standard Life should give Mrs M 42 days to accept this.

In addition, the investigator thought Standard Life should increase its offer of compensation to a total of £300. Standard Life agreed to pay compensation, but couldn't agree to issue another mortgage offer based on the 15 July 2022 KFI. It said that the interest rate was no longer available, and a new offer would be at the prevailing rate, in addition to which a new valuation would be required.

In any event, Mrs M's broker had failed to provide the comparables needed to revisit the valuation. As a result, no new offer had been issued and the application had been closed.

However, in an attempt to settle the complaint, Standard Life offered total compensation of £500.

Mrs M didn't accept this. She's repeated the points previously made about not knowing about the valuation until July 2022, but also said that it wasn't until the end of August/early September 2022 that these issues came to light, and that over the "*six-month period*" since the valuation nobody had mentioned that the property had been downvalued. Mrs M also said that neither she nor her broker received a "*second offer*" or illustration.

Mrs M says that she wasn't able to source another product, because by August 2022 interest rates had increased. Mrs M believes that the product she'd applied for from Standard Life was *"so heavily oversubscribed that Standard Life could not cope and were unable to process things efficiently"*.

Provisional decision of 27 June 2023

I issued a provisional decision in which I reached the following findings.

First of all, I've noted the timeline Mrs M has given in her response to the investigator. Although she said she wasn't aware of the valuation until July 2022, she later says this was late August/early September 2022, and that it was six months after the valuation (which had been done on 26 April 2022).

The valuation should have been available on the portal for the broker to see a week after it had been done – so by 3 May 2022 (2 May was a Bank Holiday). The mortgage offer showing the £2.1m valuation was issued on 13 July, which is 10 weeks after 3 May. So it is incorrect to say there had been a six-month delay before Mrs M knew about the valuation.

I agree that if Mrs M had known about the valuation on 3 May 2022 rather than 15 July 2022, her broker could have looked for another product. It was during this period that the legal work relating to the Deed of Variation was being done, so that work would have been necessary with any other lender too.

I am satisfied that the valuation was carried out by a Member of the Royal Institution of Chartered Surveyors. Standard Life was entitled to rely on his expert opinion. I am also satisfied that Standard Life was willing to accept a challenge to the valuation. However, the comparables provided by the broker weren't acceptable.

Rather than provide acceptable comparables so that Standard Life could refer these to the surveyor, instead the broker (presumably on Mrs M's instructions) made a complaint. As a result, the broker didn't progress the appeal against the valuation, and so the application was closed as abandoned. I'm not persuaded this is the fault of Standard Life, which was, I find, prepared to reconsider the valuation if the broker had provided the information Standard Life had been asking for since 19 July 2022.

I'm also not persuaded that Standard Life should issue a new mortgage offer based on the KFI dated 15 July 2022. I'm satisfied that the rate is no longer available, and given that Mrs M wanted to clear her existing mortgage of more than £850,000, the amount Standard Life was prepared to lend on its own valuation wouldn't have been sufficient for this purpose in any event.

Mrs M's broker proceeded on the basis of challenging the valuation, rather than (it appears) seeing if an alternative product could be sourced. But when asked for further information to support the challenge, the broker didn't provide this. It was for this reason that the application didn't proceed any further. In the circumstances, I can't find any basis on which it would be fair or reasonable to direct Standard Life to issue a new mortgage offer based on the 15 July 2022 KFI.

Standard Life has accepted that there were delays, and offered £500 for this, which I think is fair, reasonable and proportionate in all the circumstances. I'm not intending to order any additional redress.

Both Mrs M and Standard Life have responded to confirm they accept my provisional decision.

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 reviewed my provisional decision, and as both parties have accepted the outcome, I can see no reason to depart from the conclusions I reached.

Putting things right

I direct more 2 life Ltd trading as Standard Life Home Finance to pay Mrs M £500 compensation for distress and inconvenience.

My final decision

My final decision is that I partly uphold this complaint. In full and final settlement, I direct more 2 life Ltd trading as Standard Life Home Finance to settle the complaint as set out above. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 26 July 2023.

Jan O'Leary
Ombudsman