

The complaint

Mr and Mrs R complain that the valuation of their buy to let property was inflated when they bought it. They say that Wave Lending Limited didn't carry out any due diligence before lending to them. They also complain that Wave declined to extend the term of the mortgage, and they tried numerous times to contact it.

What happened

Mr and Mrs R took out a buy to let mortgage with Wave in 2007, via an intermediary which is no longer trading. Mr and Mrs R took out the mortgage to fund the purchase of a new build property as an investment. The mortgage is on an interest only basis and the term is due to expire in 2027.

Mrs R has been diagnosed with a serious health condition and Mr and Mrs R are reviewing their financial affairs. When considering whether to sell the property or take out a new buy to let mortgage they discovered that the current value of the property is less than they paid in 2007.

In October 2022 Mr and Mrs R made a complaint to Wave about the property valuation in 2007. They say Wave provided a mortgage without checking the property value and they've lost out as a result. Mr and Mrs R say they wouldn't have gone ahead with the purchase if Wave had had the property valued. Mr and Mrs R asked Wave to extend the mortgage term to 2034, on its variable rate. Wave declined. It offered £75 for inconvenience caused to Mr and Mrs R by being on hold when they called. It didn't agree with their other complaint points.

Since then, Mr and Mrs R asked that Wave allows them to redeem the mortgage at a discount, and refunds fees paid in 2007 to various parties (such as the broker, property developer and Wave), with interest.

Our investigator didn't recommend that the complaint should be upheld, saying an independent surveyor valued the property in 2007 and Wave was entitled to rely on the valuation. A copy of the valuation report was provided to Mr and Mrs R.

Mr and Mrs R said the valuation report raised further questions and commented in detail on this. They said if it had been shared with them in 2007 they wouldn't have gone ahead with the purchase.

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.

Mr and Mrs R raised a number of issues related to the valuation, purchase and mortgage of their property in 2007. We provide an informal dispute resolution service. I'm required to explain why I reach my decision. But I don't have to comment on or respond to each point made by the parties. I must be clear that the complaint I'm looking into is the one raised by

Mr and Mrs R with Wave in October 2022. I can't look into any new issues raised by Mr and Mrs R which Wave hasn't had an opportunity to investigate and respond to.

I should also explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The valuation in 2007

Lenders are entitled to carry out a valuation of the security property, to help them make a decision whether to lend. I'd expect Wave to appoint a suitably qualified valuer, which it did here (the valuer was a member of the Royal Institution of Chartered Surveyors).

Wave's valuation report form requires the valuer to confirm they understand that a copy of the report will be disclosed to the borrower. I'm not persuaded by Mr and Mrs R's argument that this wording creates a legal obligation on Wave to provide a copy to them, but ultimately that would be for a court to decide. The valuation was carried out on behalf of Wave, for mortgage purposes. While some lenders might provide a copy of the valuation report to the borrower there's no general obligation for lenders to do so.

Mr and Mrs R have now seen the valuation report. They say it wasn't reasonable for Wave to rely on the valuation. This is because the report says the road was unadopted and unmade (with a possible liability of £1,000) and provision of a mining report should be considered as a condition of the mortgage (the surveyor said a report was recommended due to the location of the property). Mr and Mrs R say the comparable properties referred to by the surveyor aren't sufficiently similar.

It was for Wave to decide whether the property was suitable security, despite these issues. The surveyor gave a valuation, which was consistent with the expected valuation in the application form and the amount Mr and Mrs R had agreed to pay for the property. I think it's difficult now to say that the comparable properties set out by the surveyor weren't the most appropriate available at that time – or that Wave should have known this.

Mr and Mrs R say the valuation report refers to the wrong property – the house number in the report is No. 3 and Mr and Mrs R say their property is No. 10. They provided recent statements and bills showing their property is No. 10.

The mortgage application form (which was signed by Mr and Mrs R) refers to No. 3. The mortgage offer acceptance (which is also signed by Mr and Mrs R) refers to Plot 3. Other documents also refer to No. 3 or Plot 3. It could be the numbers were changed before the property development was completed. It's also possible the surveyor made an error with the number in the report. However, from what Mr and Mrs R have said, No. 3 is a two-bedroom semi-detached house, which is quite different from their three-bedroom mid-terrace house. The valuation report refers to a three-bedroom mid-terrace house. So it looks to me that the surveyor was referring to the correct property in the valuation report, even if the house number is now different.

Mr and Mrs R say if they'd seen the report and the number of potential issues they wouldn't have proceeded. I find that unlikely. First, the valuer gave the property a value of £190,000 – the amount Mr and Mrs R had agreed to pay. I think they'd likely have accepted the valuation, which was as they'd expected. Second, I think if Mr and Mrs R were concerned to ensure there were no potential issues with the property they'd have ticked the box in the application form for a "homebuyers survey and valuation for my use" or a "building survey for my use". Instead, Mr and Mrs R asked for a basic valuation. The notes in the application form – which Mr and Mrs R signed – say that this might not be sufficient for their purposes

and they shouldn't rely in any way on the valuation report prepared for Wave when deciding whether to proceed.

I appreciate that Mr and Mrs R feel strongly about this matter. And I can understand how disappointing it is that their property value has fallen. But, based on the available evidence, I don't think that Wave was unfair or unreasonable when it instructed the valuation or when it relied on the expert opinion of the valuer. I don't think it had to provide a copy of the valuation report to Mr and Mrs R in 2007, or that matters would have been different if it had.

Extension of the mortgage term

Wave considered Mr and Mrs R's request for a term extension, but declined saying it was a speculative proposal based on market changes. It said it could consider an informal grace period to allow Mr and Mrs R time to sell or re-mortgage the property nearer the maturity date.

I think Wave's response was fair and reasonable, in the circumstances. I've taken into account that this is a buy to let property bought as an investment, and letting property is a business. There's time before the term expires for Mr and Mrs R to explore their options. Mr and Mrs R sent the latest valuation of the property, an email from an estate agent. Part of the email is cut off, but it appears to suggest marketing the property at £165,000. This is about the same as the outstanding mortgage balance. I appreciate that Mr and Mrs R can't be sure how much someone might pay for the property until they market it for sale, but this valuation suggests Mr and Mrs R could have options to explore.

Our investigator said that Wave ceased lending in 2008 and doesn't offer new interest rate products. When Mr and Mrs R raised their complaint with Wave they said they wanted to extend the term on the variable rate. I don't think they included in their original complaint a concern that they'd wanted to take out a new interest rate product. As I said, I can't fairly look into issues that Mr and Mrs R hadn't previously raised with Wave.

Wave said its records didn't demonstrate that Mr and Mrs R made many attempts to call it. It did accept they were on hold during one call for a long time and offered £75 compensation. I think that was fair and reasonable in the circumstances.

What happens now?

Mr and Mrs R invested in a property which is now valued at less than they paid for it. The property might not sell for enough to clear the outstanding mortgage balance. Interest rates have increased and Mr and Mrs R say the rental income from the property no longer covers the mortgage payments. Mrs R has been diagnosed with a serious health condition, and I can understand that Mr and Mrs R would like this matter resolved in a way that provides some certainty. They might consider taking independent financial advice about their options.

While I sympathise with the difficult position that Mr and Mrs R are in, what I need to decide is whether Wave made an error or treated them unfairly. Having carefully considered the matter, I don't think Wave made an error or treated Mr and Mrs R unfairly so as to make it fair and reasonable to require it to take further steps in relation to this complaint. I don't think it's fair and reasonable to require it to allow Mr and Mrs R to redeem the mortgage for less than the outstanding balance, refund fees paid in 2007, pay further compensation, or extend the mortgage term.

My final decision

My decision is that Wave Lending Limited should pay £75 to Mr and Mrs R, as it offered to

do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 20 December 2023.

Ruth Stevenson
Ombudsman