

The complaint

Mr B complains that The Mortgage Works (UK) Plc (TMW) carried out a second valuation on his property unnecessarily which led to his mortgage offer being withdrawn. Mr B got a Structural Engineer's report at TMW's request, but Mr B says TMW didn't review this as the mortgage offer had expired.

What happened

Mr B and his partner applied for a Buy to Let (BTL) mortgage with TMW in December 2021. They had received advice from an independent mortgage broker for this application. TMW instructed an independent surveyor to carry out a valuation on the property to confirm whether it was suitable for mortgage purposes. TMW was satisfied with the valuation received and sent Mr B and his partner a mortgage offer in December 2021, which was signed and returned.

Mr B decided not to go ahead with the mortgage in joint names due to stamp duty charges. He applied again in January 2022 for a BTL mortgage in his sole name. He received advice from the same mortgage broker. TMW used the valuation report that had been completed in December 2021 and sent Mr B a new mortgage offer in his sole name on 27 January 2022 which replaced the earlier mortgage offer. The new mortgage offer was valid for six months from 27 January 2022.

On 4 February 2022, a second valuation was completed on the property by the same surveyor. The report said "*The property is affected by severe deflection of the first floor. A full report must be obtained from a Structural Engineer/Chartered Building Surveyor (acceptable qualifications as defined by TMW), together with an estimate for the cost of repairs*".

TMW contacted the surveyor on 9 February 2022. It said it had already cross referenced the valuation report from December 2021 and offered Mr B a mortgage, but now it had received a second report advising a Structural Engineer's report (SER) was required. It asked the surveyor if it could still use the existing report as it was under three months old and disregard the new report it had received.

The surveyor insisted further investigation needed to be carried out on the property. It said the floor joists to the first floor appeared to have dropped, but this wasn't noticeable at the first inspection as Christmas presents and wrapping paper were covering the floor.

TMW emailed Mr B's broker on 16 February 2022 to tell them about the comments within second valuation. TMW told the broker that further investigation was required. TMW sent the broker the valuation report the next day with the surveyor's response to its queries. TMW told the broker an SER was required to establish the full extent of any structural problems present. TMW gave its requirements for the SER including the Structural Engineer's qualifications. It said it would suspend the application pending the SER.

The broker contacted TMW on 17 February 2022 to ask why a second valuation had taken place. TMW said a valuation was instructed after the case was submitted and this went

ahead as it didn't receive a request to cancel the valuation. TMW explained why an SER was needed and the broker said they would update the solicitors that completion wasn't possible as the surveyor had requested an SER.

Mr B said on 18 February 2022, the completion date was set for 25 February 2022. TMW received a Certificate of Title from the solicitors involved. On 21 February 2022, TMW told the broker again an SER was required for the application to be considered further and the application had been suspended.

The broker emailed their contact at TMW on 23 February 2022. They said they had been told by TMW that because they didn't cancel the valuation it still went ahead, but the broker thought TMW should have cancelled the valuation. The broker said they didn't know how to tell Mr B an SER was needed when he already had a mortgage offer. The broker asked for the SER request to be cancelled or the cost covered by the surveyor.

This was referred internally at TMW to see if an exception could be made. It was thought that now TMW was aware an SER was required, it couldn't rely on the original report. But it was raised again with the surveyor.

On 25 February 2022, TMW told the solicitors it had referred the case to the surveyor to see if the SER could be waived. The broker contacted TMW on the same day to ask how long valuations last for and advised the mortgage application would likely be submitted elsewhere.

On 27 February 2022, the surveyor told TMW an SER was required given the degree of deflection to the floor joists. TMW's underwriting team also confirmed internally that an SER would be required to proceed. TMW wrote to the broker on 1 March 2022 to confirm this and asked how Mr B would be proceeding.

In early March 2022, the broker contacted TMW to say Mr B was considering getting an SER. On 22 April 2022, Mr B's application was cancelled as there had been no movement or information received. The internal notes said it could be reinstated if necessary.

The mortgage offer expired on 27 July 2022, but there was a 15 day grace period if necessary. Mr B said he couldn't get an SER until October 2022. Once he did, the report was not considered by TMW as the mortgage offered had expired.

Mr B complained to TMW in April 2023 that the second valuation was unnecessary and contradictory to the first. He said that the mortgage offer had been withdrawn on the day of completion with limited communication about why. He said TMW wouldn't review the SER that he obtained, and the report showed that there was no problem with the floor which the surveyor should have known.

TMW agreed that it wasn't necessary to obtain the second valuation and had been instructed in error. But it said once the potential issue had been highlighted it couldn't be ignored. It said the offer wasn't withdrawn and could have been reinstated, but the SER was received after the offer expired so it couldn't be progressed.

Mr B referred the complaint to our Service as he didn't agree. Mr B wanted TMW to honour the mortgage rate offered in January 2022 and backdate the payments.

One of our Investigators looked into this complaint. He thought TMW hadn't acted unfairly and explained that the actions of the surveyor didn't fall into our Service's remit. Mr B didn't agree with our Investigator's view. So, the complaint was passed to me to make a 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.

TMW has agreed that a second valuation wasn't necessary. The first valuation was valid for three months and it showed the property was a suitable security. TMW had already agreed to use the first valuation and had sent a mortgage offer to Mr B. So, another valuation didn't need to be carried out.

TMW has said a valuation is instructed when a mortgage application is submitted. As this second application was a new application, a new valuation was instructed. The second valuation went ahead as the valuation instruction wasn't requested to be cancelled. From the available evidence, it's not clear to me whether cancelling the valuation instruction was TMW or the broker's responsibility. Either way, it wasn't cancelled, and a second valuation took place.

I think this valuation instruction could have been cancelled considering TMW had already used the previous valuation to offer Mr B a mortgage. But I don't think carrying out a second valuation was necessarily unfair. This was a new application and TMW are entitled to carry out a new valuation. I haven't seen any evidence that a request to cancel the valuation was made or that Mr B had to pay for this second valuation. So, I don't think TMW need to do anything to put things right because of this.

Although the second valuation may not have been necessary, I think it was reasonable for TMW to consider the information in the report once it was received. The purpose of a lender instructing a valuation is to satisfy itself that the property is worth at least the amount it is lending and is suitable security for it to lend on. The second valuation report here showed that there was a potential structural problem which could jeopardise this.

The surveyor recommended that further inspection was needed and recommended an SER be obtained. The surveyor was appropriately qualified to make these findings and a Structural Engineer would be able to give an expert opinion on whether this was a structural problem which needed repair. TMW isn't an expert in property values or in highlighting potential property issues. This is why it instructs a suitably qualified surveyor to carry out valuations in situations such as this. I can't say TMW acted unfairly by relying on the recommendations of the surveyor. Whilst the second valuation wasn't needed, it was carried out. And I don't think TMW could now ignore this potential issue which could impact its security.

Mr B thinks the surveyor should have known the issue wasn't a structural problem. But I don't think it was unreasonable for the surveyor to defer to a Structural Engineer who specialises in this. Even if it was, the surveyor is an independent third party, so I can't hold TMW responsible for its actions. As I've set out above, TMW is required to instruct a suitably qualified surveyor, which it did. And it's entitled to relying on their opinion.

I would expect TMW to ask the surveyor why the structural issue hadn't been reported in the earlier valuation. I can see that TMW did this and also raised the differing valuations with its internal valuation team and underwriters. The surveyor said Christmas presents and wrapping paper were covering the floor during the valuation in December. This seems a plausible explanation to me, and I don't think TMW have acted unfairly by taking this explanation at face value. I think TMW acted fairly by questioning the discrepancies and considering if any exception could be made given the circumstances. TMW ultimately decided it needed the SER due to the significance of the potential issue. This is a decision it was entitled to make. And again, I don't think this was unreasonable of TMW. It needed to

be certain that the property was a suitable security for the mortgage.

TMW provided an update to Mr B's broker ten days after it received the second valuation. During that time, I can see it was questioning the difference in the valuation with the surveyor. I think TMW could have contacted Mr B's broker slightly sooner, but I don't think it caused any significant delays here. TMW made it clear to the broker that an SER would be required to proceed and specified its requirements for the report on 17 February 2022. It told the broker that the application was suspended while the SER was pending. It then kept the broker updated while it considered if an exception could be made.

It was Mr B's broker's responsibility to keep him updated on his mortgage application. Mr B has said he didn't find out that the mortgage couldn't proceed until the scheduled completion date. I can appreciate how frustrating this must have been for Mr B. But I can't say this was because of TMW's error. I've seen it kept Mr B's broker updated so it's unfortunate this wasn't communicated earlier to Mr B.

Mr B said he has needed to pay the standard variable rate on his mortgage because the mortgage with TMW didn't go through on the expected completion date. This is unfortunate, but it is never guaranteed that any mortgage will be accepted, and as I've said I don't think TMW have acted unfairly by requesting a further detailed report from a Structural Engineer on the recommendation of the surveyor.

TMW told Mr B's broker that an SER was required for his application to proceed in February 2022 and confirmed no exception could be made in March 2022. The mortgage offer was due to expire on 27 July 2022. There was at least a four-month window for the SER to be obtained, which I don't think is unreasonable. The mortgage offer sent to Mr B was clear that it was valid for six months from the date of issue. Mr B's broker should also have been aware of this as it is generally standard in the industry. I'd have expected the broker to make Mr B aware that his mortgage application was on hold while he obtained the SER, but that it would expire if the outstanding information wasn't received before the expiry date.

Mr B has said it was very difficult to obtain an SER due to the area he lived in and post-covid demands on structural engineers. The SER was sent to TMW in October 2022. I have no reason to doubt Mr B when he says it was difficult for him to get an SER. But I've not seen that any update was provided to TMW from Mr B or his broker about this. As no further information was received, the application was cancelled with the option to reinstate if there was further contact. This was a reasonable action as TMW did not know if Mr B wanted to proceed with the application or not.

After the mortgage offer expired, Mr B would need to submit a new mortgage application. This is not unreasonable as Mr B's circumstances could have changed over a six-month period and new underwriting would need to be carried out. So, I don't think it was unfair of TMW to need a new application to be submitted and not pick up Mr B's application ten months after it was originally offered.

I'm sorry to disappoint Mr B, as I know he feels strongly about this. But I don't think TMW have acted unfairly here. It isn't responsible for the surveyor's actions and it queried why the issue wasn't reported in the first valuation. While the second valuation wasn't needed, it wasn't unreasonable for TMW to act on the information contained within the new valuation once it was received. I can't see that TMW caused any unnecessary delays, and it kept Mr B's broker updated. TMW didn't receive the information it needed to progress Mr B's application before the mortgage offer expired, so I don't think it acted unfairly by not progressing the application.

Mr B has said this situation has impacted him financially in a significant way, and I'm sorry to

hear that. But I don't think TMW has acted unreasonably here and therefore I can't hold TMW responsible for any financial loss. So I won't ask it to do anything further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 June 2024.

Rob Deadman
Ombudsman