

The complaint

Mr and Mrs M bought a Buy To Let ("BTL") property with a mortgage from HSBC. They complain that there was no mention on the mortgage valuation report of a very significant defect with the property. They didn't think it was fair to ask them to pay for repairs now.

What happened

Mr and Mrs M told us they bought a BTL property with a mortgage from HSBC in 2023. They said HSBC had commissioned a mortgage valuation report for the property in March 2022. That report said there were no essential repairs required for mortgage purposes; that there were no further matters considered essential for mortgage purposes and the property was suitable security for a mortgage. But Mr and Mrs M told us that within six months, the roof was leaking, and when it was checked, a number of professionals said it was "expired", "unsafe" and "not repairable".

Mr and Mrs M said they were faced with the cost of completely replacing the roof. They said because the valuer failed to record this problem, that suggested he may not have paid due care and attention during the survey.

Mr and Mrs M said that they knew HSBC had a disclaimer about the purpose of this report and how it should be interpreted, but they still thought the valuation mortgage report was misleading. So it wasn't fair to require them to meet the cost of replacing the roof, only six months after they purchased the property. They said that the huge cost will render the investment financially unviable for them.

Mr and Mrs M wanted HSBC to either fund the cost of the roof replacement or reduce their current mortgage balance on the property by the cost of replacing the roof.

HSBC didn't think it had done anything wrong. It said the valuation report it commissioned was for mortgage purposes only, and although carried out by a qualified surveyor, it was limited to a visual inspection. It wasn't comprehensive, and wasn't meant to be relied upon by customers when deciding whether or not to proceed with a purchase. Its only purpose was to tell HSBC whether the property provided suitable security for lending.

HSBC said that Mr and Mrs M applied for their mortgage with the support of a broker, and HSBC would expect their broker to tell them about the purpose of the valuation, and that they could get a more detailed report if they wanted, but they would need to commission that separately, at their own expense.

HSBC said it was Mr and Mrs M's responsibility to keep the property in good repair. It wouldn't help with the cost of the roof.

Our investigator didn't think this complaint should be upheld. He said the valuation report HSBC obtained was for mortgage purposes only. Our investigator said that Mr and Mrs M's broker should have highlighted the different levels of survey available to them during their application, and if they had any concerns, they could have asked for a more detailed report.

Our investigator noted that the valuation was clear on its face that it was only intended to allow the bank to assess security for lending, and that there may be things wrong with the property which weren't noted on the valuation.

Our investigator said our service can't investigate the actions of surveyors. They have their own organisations who oversee their operating practices. He could look at what HSBC did when it appointed a surveyor. He said it had appointed someone who was a member of the appropriate professional body, and it was reasonable for HSBC then to rely on that report.

Our investigator didn't think that HSBC had to contribute to the costs Mr and Mrs M would face for a new roof.

Mr and Mrs M didn't agree. They thought the valuation report, which was sent to them, was categorical about the condition of the property. And the valuer had missed a key problem with the property. So they thought he had been negligent. Our investigator explained the very different purpose that HSBC has in mind when it commissions this sort of survey, but Mr and Mrs M still thought that the surveyor shouldn't have given such firm reassurances where there was such a significant problem. Because no agreement was reached, this case was then passed to me for a final 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 reached the same overall conclusion on this complaint as our investigator.

Our investigator has explained that our service can't comment on the valuer's opinion on the property Mr and Mrs M bought. Surveyors and valuers don't fall under the jurisdiction of our service. So I can't comment on whether the person that HSBC hired, ought to have seen and recorded problems with the roof of the property that Mr and Mrs M purchased. I understand this was the core of Mr and Mrs M's complaint, so I'm sorry our service cannot help with that.

I can only look here at what HSBC did.

Banks and building societies aren't experts on the value of properties. So they do usually source that expertise elsewhere, and commission advice, before they make lending decisions. And in this case, I'm satisfied that HSBC appointed an appropriately accredited valuer to inspect this property.

Mr and Mrs M said that, although they understood there was a disclaimer with the valuation, they still felt that the reassurances that there were no major problems with the property, were misleading. But those reassurances were clearly very limited – the surveyor noted no essential repairs required for mortgage purposes, and no further matters considered essential for mortgage purposes. So, in other words, what HSBC was doing was looking to see if there's a good chance it can get back the money that it has lent Mr and Mrs M, if the very worst should happen and they aren't able to pay the mortgage. HSBC wasn't assessing whether this property would be a good investment for Mr and Mrs M.

In addition to that, I do think that the disclaimer on the valuation report is quite clear. It says this –

Important notice to Prospective Borrowers

The sole purpose of this valuation report is to enable the Bank to assess the security offered by the property for the proposed loan. This report is not a Homebuyers Report, building or structural survey and must not be relied upon to identify any defects which may be present in the property. Even where defects are mentioned in the report, there may still be other unidentified defects present. Additionally, services have not been tested.

If you are proposing to purchase the property and you wish to be satisfied as to the condition of it, you must have a surveyors detailed inspection and report of your own before deciding whether to enter into a contract.

So I think that what has happened here, is that HSBC appointed a properly qualified person to value the property. That valuation was for a very specific purpose – to enable HSBC to decide whether to lend on the property. And although HSBC may have shared that valuation with Mr and Mrs M, it was very clear that they were not intended to rely on it, to make a purchasing decision. If they wanted the reassurance of having the property surveyed, then they needed to arrange that.

Considering all of the above, I cannot fairly and reasonably hold HSBC responsible for the fact that Mr and Mrs M didn't get a warning of any defects in the roof of the property they purchased, before making that purchase. I don't think HSBC has to pay the cost of repairs, or to reduce Mr and Mrs M's mortgage debt, because they have uncovered problems now.

I know that Mr and Mrs M will be disappointed, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 20 May 2024.

Esther Absalom-Gough
Ombudsman