

The complaint

Mr A complains about the value that Nationwide Building Society has assigned to his property, which is mortgaged with Nationwide. And he complains about what happened when he recently appealed against this valuation.

What happened

Mr A said Nationwide had down valued his property, so when he came to remortgage, he wasn't able to access the best fixed interest rates that Nationwide offers. He took out a fixed rate mortgage anyway, but it was at the over 60% Loan To Value ("LTV") rate. Mr A said he was only just over this, and Mr A said if Nationwide had even come close to the true value of his property, then he would have been able to access the better rates.

Mr A said he thought Nationwide was just applying the local average change in property prices to his home. But he said he'd had his property valued a couple of times before this, and each of those valuations had come out at £200,000. So Mr A wanted Nationwide to take this into account.

Mr A contacted Nationwide when he was remortgaging, and it appealed this valuation for him. It then agreed that it would increase the valuation, and allow Mr A to access the lower interest rates. Nationwide has said it can't tell if Mr A was properly informed that his appeal had been successful, but it had been.

Mr A said this revised valuation didn't show online. He said Nationwide told him this would take some months to show up, because the valuation is revised each quarter. But he waited, the increased valuation didn't show online, and Mr A said Nationwide had down valued his house again since then. It had reduced the value down to around £160,000. Mr A said if this continued, his home would be down to around three-quarters of its real value by the end of the year.

Mr A said he just wanted Nationwide to reflect the true value of his property. And he said that in response to his complaint, Nationwide lied to him. Mr A said that there was a principle here, because Nationwide had agreed to put things right, and it hadn't.

Nationwide said it first offered Mr A a mortgage in 2018. The fixed rate on his mortgage was due to end at the end of March 2023, and Mr A appealed the valuation then. Nationwide showed us five complaint response letters it had sent to Mr A about this complaint.

In a letter dated 27 March, Nationwide said Mr A's recent valuation appeal had been upheld, and a new interest rate would be applied from 1 April, so Mr A was no worse off.

On 26 April, Nationwide wrote again. It said when it upheld Mr A's valuation appeal, it didn't actually change the rate for his mortgage. It should have prompted Mr A to do that at the time. But it had done this now, he had been moved into the lower LTV bracket, giving him access to a better interest rate. Nationwide said it would backdate this better rate to the start of April for him. Nationwide paid £150 in compensation to Mr A for this mistake.

On 8 June, Nationwide wrote again. It said Mr A had been in touch to ask why the revised valuation of £180,000 wasn't showing online. It said this updates quarterly, but as his mortgage offer was reflecting a value of £180,000 then Nationwide didn't think it had made a mistake.

On 30 August, Nationwide contacted Mr A again, as he'd complained that the online valuation visible through Nationwide's mortgage manager had reduced to £160,000.

Nationwide said it had told Mr A that this was reviewed quarterly and updated online. It said this is not an exact valuation of his property, it's based on the information Nationwide holds about the property and information it obtains about other properties in the area. But Nationwide stressed that if Mr A was to submit a mortgage application and wanted a valuation amount which is accurate, it could carry out a valuations appeal to ensure Mr A got an accurate figure.

On 31 August, Nationwide wrote yet again, in more detail. It repeated the statements in the previous letter, explaining that changes to the valuation could be the result of sales around Mr A, and the overall housing market. But it said the figure was for illustrative purposes only, and it wasn't given to any third parties. Nationwide wanted to reassure Mr A that his lending still remained in the 0-60% LTV bracket, which gives him access to the lowest lending rates it offers. That position wouldn't change if the online valuation went up to £180,000.

Nationwide said there had been no breach of agreement or contract.

Nationwide said it doesn't accept external valuations from estate agents or similar. It has its own internal processes for setting a valuation, and it has agreements with third parties if it needs a to commission a physical valuation.

Nationwide said it wouldn't respond again to further complaints from Mr A on the same point, and it said he could ask our service to look into things if he wanted. Mr A then brought this complaint to our service.

Our investigator didn't think this complaint should be upheld. She said that Nationwide had increased the valuation for Mr A's property to £180,000 when he appealed, and gave him a better interest rate on his mortgage, in line with this revised valuation. She said that it offered £150 as compensation for not applying this rate right away, and not telling Mr A the outcome of his valuation appeal. Our investigator thought that was fair.

Mr A didn't agree. He said we hadn't asked him for any evidence, and hadn't spoken to him since his complaint call to us. He was unhappy with our investigation. Our investigator wrote to him and stressed that if he did have further evidence he wanted us to consider, we would take that into account. But nothing further was received from Mr A, and the deadline our investigator set had passed some time ago. The case was then passed to me for its final stage, and I thought it would be appropriate to set out my provisional decision. So I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold it in part This is what I said then:

I know Mr A wants Nationwide's online system to stop reducing the value of his property that it displays online. I am sorry to have to tell him that I don't think Nationwide has to do that. But I do think its communications with Mr A have been poor, and I don't think

the payment of £150 that it has made fully makes up for that. So I will ask Nationwide to pay Mr A a little more compensation. I'll explain below why I've reached this view.

Mr A has seen a number of reductions in the assumed valuation of his property, which Nationwide displays online for him as part of its mortgage manager. He wants those to reflect what he considers to be the property's true value.

I think there are two important points to be made here. One is the point Nationwide has already made, that this is just an approximation. So it may well reflect changes in the housing market generally, or locally. But it may not reflect other changes, such as the expensive maintenance work that Mr A said he'd paid for recently, or the other work done recently to improve the property's external appearance and "kerb appeal" - both of which may well have an impact on any valuation for sale.

I don't think it's unfair or unreasonable for Nationwide to track housing prices in this high-level way, and I don't think it's unfair or unreasonable for Nationwide to share this information with Mr A. It's been clear that if Mr A wants to remortgage with it, then it can and will review this. (I'll consider what Nationwide actually did, the last time it reviewed Mr A's property valuation for him, in a moment.)

The second point about the valuation, which I can't see has previously been clearly explained to Mr A, is that any valuation that Nationwide does, will be for mortgage purposes. That's just not the same as a sale valuation, and the amounts can be different.

When a lender values a property, it's considering how much it can lend, using that property as security. So, although I know there's no question of this here, the lender does have to think about the worst case scenario. If someone does get into very serious difficulties with their mortgage, how much can the lender then sell the property for. And the lender also needs to be able to achieve this sale quite quickly, because, in this worst case scenario, the borrower is still paying interest on a house they can't afford, until that property is sold.

All of that does impact the valuation for mortgage purposes. So that's why Nationwide isn't paying much attention to Mr A's external valuations which are for sale purposes. It's because those valuations just aren't looking at the same things as Nationwide. And that's also why it's not unreasonable for Nationwide to have come to a lower valuation on Mr A's property than he said estate agents had suggested as a marketing value.

Nationwide also said that whenever Mr A came to remortgage, he could always challenge the valuation it held. And I can see that Mr A did this in March 2023. I think that the result of this valuation was fair, because what it did was move Mr A from a higher LTV bracket, into a lower bracket, and thus secured the lower interest rate that he wanted.

But I don't think Nationwide managed this process at all well. It says that it cannot show that Mr A was made aware at the time that his valuation appeal had been successful, and it should have spoken to him about this. It also said it didn't then prompt him to reapply for the lower rate. So it seems as if Nationwide considered Mr A's valuation appeal, agreed with it, but then didn't tell him or change the rate, until he complained again.

Mr A said Nationwide's revised valuation said his property was worth £180,000, but the

online valuation didn't change to reflect this. I also note that Nationwide has told us that it increased the valuation of Mr A's property to this amount. But it doesn't look as if Nationwide has provided Mr A with anything that reflects this valuation.

Nationwide's mortgage offer, dated 25 April, does give Mr A the rate available for the lower LTV, but it has made a much more modest increase in the value of Mr A's property to achieve this. It doesn't reflect a change to a valuation of £180,000. Despite this, when Mr A complained that his online mortgage value still hadn't gone up to £180,000, Nationwide said this was the valuation reflected in his offer. It wasn't.

In my view, this letter from Nationwide also gave Mr A the impression that it would just take some time for its online systems to update and show this new valuation. So it is perhaps unsurprising that Mr A was then rather disappointed when the revised valuation for the next quarter was lower.

I think Nationwide could have done a better job of managing Mr A's valuation appeal, and ensuring this went through before his rate change was implemented. It also could have done a better job of communicating to Mr A what was happening on his mortgage, what the changes to the valuation would mean, that they might not be reflected online, or permanent changes, and emphasising that at the moment, the figure really only matters for the LTV on his mortgage. As long as Mr A fits within its lower LTV bracket at the point when he fixes the rate for his remortgage, then there are no wider implications for his mortgage.

I do understand that, in the background, Mr A would previously also have liked to increase his borrowing to consolidate some other debts. But that would have required a significant increase to the mortgage valuation of his property, which appears to be beyond what even Mr A's own sale valuations have suggested. And that's not the complaint I'm looking at here.

So, considering this complaint overall, I don't think the actual result in terms of Mr A's mortgage is wrong. But I do think Nationwide has made mistakes in how it's implemented his revised valuation, and how it communicated with him. For those reasons, I think Nationwide should pay a little more than the £150 in compensation that it has already paid. I think Nationwide should pay a further £200 in this case.

I understand that Mr A would like me to go further than this, but I do think that provides a fair and reasonable outcome to this complaint. So that's what I currently propose to award.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Nationwide said it had received my provisional decision, and it had nothing to add.

Mr A replied to say that the whole process had been unjust. He said Nationwide had lied over his valuation. He said the point was it was manipulating the valuation and creating an issue for him when he remortgages, after Nationwide said it wouldn't do that. Mr A said Nationwide still hadn't corrected this, and our service should be looking at these facts.

I'm sorry that Mr A considers that he hasn't been treated fairly. I understand he may take the view that any reductions Nationwide makes to the valuation of his property at the moment, are simply storing up trouble for a future remortgage. However, I've explained above why I don't think it's unfair for Nationwide to reflect what it considers to be the wider position of the housing market in his area, and for his property type, in the valuation it assigns to his property.

Nationwide has stressed that Mr A isn't bound by that. For the moment, while he remains on a fixed interest rate deal, the valuation simply doesn't matter. But when he does seek to remortgage, if Mr A doesn't agree with the valuation then, he can appeal. And, although I do know that Nationwide didn't handle this particularly well the last time Mr A appealed (and I have upheld his complaint on this point) I can see it did move him to the lower LTV bracket, and amend his mortgage accordingly.

I appreciate Mr A would prefer not to go through this process each time he does remortgage. But, at what is a difficult time overall in the housing market, I don't think it would be fair and reasonable for me to say that Nationwide must simply assume Mr A's property remains at the same value, if it does consider that others are reducing.

I would very much hope that Mr A will have a smoother experience in future, if he does need to appeal a valuation again the next time he remortgages. But if he does not, then our service would, in due course, consider his experiences then. However, for this complaint, I can only look at what has already happened. Even if Mr A is not optimistic about receiving better service in future, I still don't think it would be fair and reasonable for me to resolve this case now based on the assumption that Nationwide will simply make the same mistakes again the next time.

For those reasons, I haven't changed my mind in this case. I'll now make the decision I originally proposed.

My final decision

My final decision is that Nationwide Building Society must pay Mr A £200 in compensation, in addition to the £150 it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 31 May 2024.

Esther Absalom-Gough

Ombudsman