

## The complaint

Mr J's complaint is about a lifetime mortgage he has with more 2 life Ltd (m2l). He is unhappy with how much the property was valued for in 2020, believing it was deliberately undervalued, and this meant that less money was released to him than should have been and it will allow m2l to claim more of the value of his property in interest. In addition, Mr J considers that the interest rate of 5.37% fixed, when compared to Bank of England base rate, was an '*absolute rip-off*'. Furthermore, Mr J believes that m2l should have considered his severe mental health problems when deciding whether to lend to him or not.

In settlement of the complaint Mr J wants m2l to pay him the additional amount it would have lent in March 2020 if the property had been valued as being worth £950,000 as he believes it should have been. Mr J wants m2l to pay interest on the additional sum he thinks he should have received.

## What happened

In the spring of 2020 Mr J sought assistance from an independent mortgage broker. He was recommended a lifetime mortgage with m2l. Mr J wanted to release the maximum he could from his property, which was dependent on how much his home was worth.

Due to the Covid-19 pandemic restrictions, a desk-top valuation was completed of Mr J's property in May 2020. It valued the property at £740,000, which is the amount Mr J documented in the application form as what he believed the property was worth. A physical valuation would be completed at a later date.

m2l accepted the application and sent Mr J a mortgage offer on 19 May 2020 and when it expired, replacements on 23 June 2020 and then 29 June 2020. It was based on the property being worth £740,000 and a fixed annual interest rate of 5.37% being charged, so m2l offered Mr J £199,800. Mr J accepted the offer and the mortgage was advanced in July 2020.

In February 2021 m2l contacted Mr J to try to arrange a physical valuation. When it was unable to contact him by telephone, it sent Mr J a letter in June 2021. This letter explained that m2l would pay the cost of the valuation and the results would not affect the funds that had already been paid to Mr J. Mr J's partner informed m2l that his health was not good and so a physical valuation was not possible at the time.

No response was received to the letter or subsequent telephone calls until January 2022, when Mr J confirmed he was happy for the valuation to take place after 24 February 2022. However, no valuation was ever completed as m2l didn't organise it.

In November 2022 m2l tried to contact Mr J to request that he complete a certificate of continued occupancy, as it had concerns that he was not living at the mortgaged property. It doesn't appear to have chased the matter again until early April 2023, when it called him and sent a letter as it was unable to speak to him.

As no response was received from the letter about occupancy, it arranged for a field agent to visit the property. Two visits were made on 5 and 9 May 2023. The second of these reports confirmed the field agent had spoken to the neighbour who had confirmed that Mr J was not permanently in residence; rather he was often away and returned every couple of weeks or so. m2l continued to request that Mr J confirm that he lived in the mortgaged property but he didn't complete and return the form he was sent on several further occasions.

Around the same time Mr J complained that the mortgage had been mis-sold to him and that the valuation had been wrong, which had meant that he had received less money than he should have.

m2l responded to the complaint in a letter of 31 May 2023, but it didn't uphold the core of the complaint. It explained that due to the restrictions placed on access to properties during the Covid-19 pandemic, property valuations had been completed electronically so that the mortgage could move ahead. However, a physical valuation would need to be completed at some point in the future. As such, it was satisfied the valuation it used when agreeing the advance was acceptable. However, m2l acknowledged that the service it provided when a follow-up physical valuation was needed, was not what it should have been. £200 compensation was offered.

Mr J was not satisfied with m2l's response to his complaint and referred it to this Service. We set up two separate complaints – one against the mortgage broker that had sold Mr J the mortgage in relation to the advice and mis-selling, and a second to consider the issue of the valuation and interest rate against m2l.

One of our Investigators considered both complaints. She didn't recommend that the complaint against m2l be upheld. Other than poor service in relation to m2l not arranging the physical valuation when Mr J told it he was in a position for this to happen, she didn't consider that m2l had done anything wrong. The Investigator was also satisfied that the £200 m2l had offered Mr J was sufficient to compensate him for that poor service.

Mr J did not accept the Investigator's conclusions. He said that he could not recollect more than two attempts at contact from m2l between February 2021 and January 2022 in which it tried to arrange the physical valuation. As such, he considers that m2l 'failed dismally to correspond' and the £200 awarded for the failure was 'meaningless'. Mr J also confirmed that he had refused to sign the continued occupation form because he was disgruntled with m2l.

In relation to the field agent visits, Mr J commented that on the first visit, the agent arrived several hours after the appointment time Mr J had been given, and no appointment had been arranged for the second visit. He also raised concerns that the agent took photographs of his property without his permission, which he believes should not have happened. Mr J accused m2l of being 'thugs', said that its behaviour was unreasonable and that it was incompetent in its management of its business. Mr J said that his health had deteriorated over the previous year and this was due to the actions of m2l. Mr J went on to expand on his comments about the interest rate he was being charged as being unreasonable and reiterated his concerns about the desktop valuation. Mr J asked that the complaint be referred to an Ombudsman.

The Investigator commented further on some of the points Mr J had made, and she confirmed that the complaint would be referred to an Ombudsman if he remained unhappy. Mr J remained dissatisfied and so the complaint has been referred to me for consideration.

## **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 would firstly confirm the role of the Financial Ombudsman Service. We have no regulatory function; that's the role of the Financial Conduct Authority (FCA); nor are we a consumer protection body. We're an alternative dispute resolution body; an informal alternative to the courts for financial businesses and their customers to resolve their differences. We deal with individual disputes – when we're able to – subject to rules laid down by the FCA (which are known as the DISP Rules). This means that we don't supervise, regulate or discipline the businesses we cover. My role isn't to punish or penalise businesses for their performance or behaviour – that's the role of the FCA. My role is to see if m2l has acted fairly and reasonably in their dealings with Mr J.

I would also confirm that while Mr J believes that several parties involved with the mortgage application process, starting with the estate agent that recommended the mortgage broker, were working together to take advantage of consumers, I can only deal with the actions of m2l in this decision. As such, I will be addressing Mr J's concerns about m2l's underwriting and administration of the mortgage.

As has been explained on several occasions, due to when Mr J applied for his mortgage a physical valuation of his property was not possible. That was not m2l's fault and it did what the industry in general decided was the appropriate option – a desktop valuation. I cannot criticise m2l for doing so.

I would also explain that mortgage lenders are not property experts. So when they need to know whether a property is an acceptable risk to lend on and for the amount of lending requested, they will commission an external expert to make that determination for them. As long as a lender commissions a valuation from a suitably-qualified person or business, it is entitled to rely on the conclusions of that person or business. In this case m2l commissioned a firm of surveyors that are RICS-qualified. As such, I am satisfied that m2l fulfilled its duty in appointing properly qualified persons to value the property and it was able to rely on the surveyor's conclusions regarding the value of Mr J's property. As such, I can't find that the amount m2l agreed to lend to Mr J was wrong, as it was based on the valuation it received.

I have noted Mr J's concerns about the effect that had on the amount he was able to borrow. However, as I have said, m2l was entitled to rely on the valuation it commissioned. I would also confirm that surveyors don't fall within the remit of the Financial Ombudsman Service, and so I can't comment on the content of the surveyor's report.

I have noted the comments Mr J has made about a subsequent valuation completed on his property by the same firm of surveyors that m2l used. However, as that survey was not completed for m2l and was not linked to Mr J's mortgage with it, I will not comment on it or Mr J's concerns about it.

As for the matter of m2l wanting to complete a physical valuation on Mr J's property, this is provided for in the mortgage terms and conditions. Section 10 of the terms and conditions states that m2l has the right to undertake further valuations of the property, at its own cost. Given the circumstances of the original valuation, I don't consider that, once a physical valuation was possible, it was unreasonable of m2l to request one for its records. I am also satisfied that once m2l became aware of Mr J's health situation, it waited for him to be in a position to be able to facilitate the valuation visit. At that point, unfortunately, it appears that m2l dropped the ball and failed to commission the valuation it wanted. Mr J doesn't appear to have been overly concerned about that mistake, as I can't see any evidence of him

chasing the valuation, and as such, I consider the £200 offered for that mistake is reasonable in the circumstances.

As for the matter of m2l wanting Mr J to confirm that he is still living in the property, I don't think it is unreasonable for it to do so. Residential mortgages are lent on the understanding that the property is the borrower's main residence. A property that is empty or only stayed in occasionally represents a greater risk for a lender and so many will not lend on that basis. Given the limited contact m2l was able to make with Mr J, it wanted to check that the property was still being used in the manner expected. I note that Mr J has said he refused to sign the continued occupancy form as he was disgruntled with m2l about the amount he received from the mortgage. It is his choice whether to sign the form, but not co-operating with a lender does not usually result in a positive outcome.

Mr J has highlighted that the interest rate he was offered was significantly higher than Bank of England base rate (BoEBR) at the time the mortgage was advanced. That was the case, but that doesn't mean that the interest rate was unreasonable in the circumstances. While BoEBR will have and affect on mortgage interest rates, they are always higher.

As the Investigator explained, interest rates for lifetime mortgages are usually several percentage points higher than those for fixed term, standard mortgages. This is because of the nature of the mortgage – a lender doesn't know how long it will be before it receives a return on the money it has lent because nothing is payable until the property is sold due to death or a move into care. I would also comment about the comparison Mr J has used to evidence that the interest rate is high. While BoEBR was very low at the time he took his lifetime mortgage, standard mortgage interest rates were not. In the middle of 2020, fixed interest rates were in the region of 2.5% to 3%, and standard variable rates were around 4.5% to just under 5%. This is because lenders will usually need to borrow funds in order to be able to lend. Compared to standard residential mortgage rates, the interest rate offered to Mr J by m2l was not significantly higher and was entirely in line with what I would expect for a lifetime fixed rate.

I have noted Mr J's thought that m2l should not have accepted his application in light of his health situation. As I have mentioned above, Mr J was provided with advice by an independent broker. As such, m2l did not have any dealings directly with Mr J before the application was submitted. As such, it would not have known anything about his medical situation unless the broker had told it, which I have seen no evidence of. As such, m2l could not have taken Mr J's medical situation into account when deciding whether to accept his application, as it didn't know about that situation.

## **My final decision**

more 2 life Ltd has already made an offer to pay Mr J £200 to settle the complaint and I am satisfied this offer is fair in all the circumstances. As such, my final decision is that more 2 life Ltd should pay £200 in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr J to accept or reject my decision before 11 December 2024.

Derry Baxter  
**Ombudsman**