

## **The complaint**

Mr and Mrs S complain that Accord Mortgages Limited trading as Accord Mortgages worked out the Loan To Value ("LTV") for their mortgage using the purchase price. They say Accord should have used its own valuation figure, which was higher, and would give a lower LTV.

## **What happened**

Whilst this complaint is brought by both Mr and Mrs S, as the mortgage is in both their names, our dealings have been with Mr S. So I'll mainly refer to him in this decision.

Mr S said he contacted Accord shortly before completing his mortgage, to ask about the Loan To Value ("LTV") on his mortgage. He said it was in the "up to 85%" bracket, which Accord had worked out using the purchase price of his property set against the amount he was borrowing. But on 4 October, Mr S said he spoke to Accord twice about this, and each time it told him this LTV figure would be worked out based on the amount he was borrowing as a percentage of the valuation of the property, not the purchase price.

Mr S said the valuation figure for his property was higher than the purchase price, and if the LTV was worked out using that valuation figure, he would have been able to access a lower interest rate, and would be paying less on his mortgage now. Mr S said because what he was told didn't match what his broker was telling him, he had a massive argument with his broker, and threatened to pull out of the sale.

Mr S also said his mortgage offer didn't mention the purchase price, it only mentioned the valuation figure, but the LTV was still based on the purchase price. And he said his mortgage statements now show an LTV of 71%, relying on the valuation, so he still thought he should be in a lower LTV category for his mortgage.

Mr S wanted Accord to cancel the early repayment charge ("ERC") on his mortgage now, so that he could remortgage in a lower LTV bracket, and reduce his interest rate.

Accord accepted it had made a mistake here, but it said it wouldn't do what Mr S wanted.

Accord said Mr and Mrs S took out their mortgage on 6 October. They had complained about some wrong information they were given before the mortgage started. On 4 October, Mr and Mrs S were told, on two separate calls, that the LTV for their mortgage would be based on the valuation price, not the purchase price. Accord understood that had led to an argument between the couple and their broker.

Accord said it had called Mr and Mrs S's broker to try to straighten things out, and on that call, it had confirmed to him its correct position, which is that where the purchase price is lower than the valuation, the LTV is calculated on the purchase price.

Accord had offered Mr and Mrs S £240 to say sorry for the incorrect information, but it wouldn't just offer them a different mortgage product. Accord said they were on the correct LTV now. It understood that Mr S was upset that his mortgage statements now say his LTV is under 75%, which doesn't reflect his current mortgage, but Accord has said that figure is

only used for a future remortgage, when it will use a valuation figure rather than the original purchase price.

Our investigator didn't think this complaint should be upheld. He said that although Mr and Mrs S said they had concerns about completing on their mortgage, they did do so.

He said the purpose of a valuation is so lenders can be happy the property is suitable security for its lending, and to let the lender know if it's worth what the buyer is paying. Lenders tend to worry if the purchase price is much higher than the valuation. But when a property is sold, the best way to judge how much it's worth is to look at what it sold for.

Accord's valuation said the property was worth £380,000. But Mr and Mrs S didn't pay that much. And Accord based the LTV for their lending on the difference between what they were borrowing and what they'd paid, not what the valuation suggested the house was worth.

Our investigator also said that when someone's remortgaging with Accord, there will be a property valuation based on an online index of house prices, and if the customer isn't happy with that, then they can ask Accord to arrange a new valuation.

Our investigator said he didn't think Mr and Mrs S had lost out financially because of what Accord had done. He said that Accord should have given Mr and Mrs S the right information from the start. But if it had, they would be in the same position they are now. Accord's mistake didn't cause them to be on the wrong mortgage rate. Accord's mistake did cause upset, so our investigator thought Accord was right to offer £240 in compensation here. He said that provided a fair outcome in this case.

Mr S said he disagreed. He said the term LTV stands for Loan To Value, not Loan To Purchase Price. And he said mortgages are supposed to be based on what the property is worth. If he'd paid more than the valuation, then the mortgage would have been calculated on the valuation. So Mr S said what he'd paid was irrelevant, the bank's rule said this was all based on value. And the bank itself had confirmed this to him twice. He wanted to know how it was fair that the rule could be changed when it benefitted the bank.

Mr S also said that the offer, the legal document he got from the bank, stated the figure of £380,000 as the basis for any calculations. It never even mentioned the lower purchase price.

Mr S said he'd been given wrong information, and mis-sold the mortgage. He said he was on a higher interest rate than he should be, as a result. And he still wanted to be put on a different product without any ERC, so he could remortgage again now.

Our investigator didn't change his mind. He said if Accord had given Mr and Mrs S the correct information from the start, the only difference would be that Mr and Mrs S would not have been surprised to find out the LTV was based on their purchase price.

Mr S then wrote again to disagree. He wanted to know why the rule was different, if he paid above or below the valuation for the property. He still thought this was mis-selling.

Our investigator still didn't change his mind. He still thought that if Accord had given Mr and Mrs S the correct information from the start (the information their broker had given them) then they wouldn't have been surprised to find out how the LTV was calculated. They would still have had the same mortgage.

Mr S continued to disagree. He said if Accord had given them the right information they may have looked for better products with other companies, or not taken a mortgage and just not

moved house. 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.

Accord accepts it wrongly advised Mr and Mrs S about how their mortgage was worked out. I've listened to a call on 4 October where Mr and Mrs S were told that Accord would take account of a valuation which was higher than the purchase price. But Accord said on that call, it would think about whether it needed to reissue an offer if this was the case, to take account of a lower LTV. And Mr and Mrs S knew they hadn't had a fresh offer from Accord, when they later accepted this mortgage.

I've also listened to the call on 5 October that Accord had with Mr and Mrs S's broker. The content of that call makes me think that the mistake about whether the LTV needed to be revised (because the valuation was higher than the purchase price) was likely to have been resolved for Mr and Mrs S the previous day, by accurate advice from their broker.

Because I think it's likely that Mr and Mrs S did understand how Accord was working out their mortgage before they accepted this offer, and also, most importantly, because the offer they accepted is the deal that they have now (with the same interest rate and monthly payments) I don't think Accord has to make changes to the mortgage that Mr and Mrs S have now.

Mr S says Accord only quoted the valuation figure for his property on the offer document. For the reasons set out above, I don't think it's most likely that Mr and Mrs S were misled by this, at the time they accepted the offer.

Mr S thinks it isn't fair for Accord to base its mortgage calculations on the lower of either the valuation or the purchase price. But I don't think it's inherently unfair for Accord to take this approach. It will be aware that valuers can occasionally make mistakes, and also that purchasers can occasionally decide to pay much more than anyone else might pay for a particular property, for their own personal reasons. If Accord uses the lower of the purchase price or the valuation price for mortgage purposes, when someone's buying a new home, it reduces the risk to it of either of those things happening.

It's worth noting that this approach also reduces the risk to Mr and Mrs S of being unable to pay off all the lending by selling their home, if the worst should happen and they're not able to pay their mortgage.

So I don't think the approach that Accord has taken here, is unfair or unreasonable.

Mr S said if he'd been given correct information by Accord earlier, then he may have looked elsewhere for a different mortgage, or not moved at all. But Mr and Mrs S took out this mortgage with the support of a broker. I think it's likely that their broker looked at all of the mortgage options open to them, and recommended the best option for them. So I don't think it's likely that Mr and Mrs S missed out on a better deal elsewhere. And even if they had, I don't think Accord would be to blame for that.

I do, however, accept that it was upsetting for Mr and Mrs S to be given incorrect information, and that this caused them to question what their broker had consistently told

them. So I do think Accord should pay Mr and Mrs S some compensation for that. I think that its offer of £240 does provide a fair and reasonable outcome to this case, and it's in line with the award I would have made in this case, if no offer had been made.

I'll ask Accord to pay that amount now, if it hasn't done so already.

### **My final decision**

My final decision is that Accord Mortgages Limited trading as Accord Mortgages must pay Mr and Mrs S the sum of £240 which it previously offered as compensation, unless it has already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 28 October 2024.

Esther Absalom-Gough

**Ombudsman**