

## **The complaint**

Mr M complains that Charter Court Financial Services Limited unfairly declined his application for a buy to let mortgage. He paid a £590 valuation fee which he'd like refunded.

## **What happened**

In early 2024 Mr M applied to Charter Court for a buy to let mortgage via a broker. His property is a HMO (house in multiple occupation). Charter Court declined to lend, saying the valuer had said the property wasn't suitable security.

Mr M says he checked his application met the criteria on Charter Court's website before applying. He says this doesn't say the application could be declined due to the subjective opinion of a valuer. Mr M says the valuer is wrong and he can provide evidence of this. He says it's unfair that Charter Court doesn't have a valuation appeals process. Mr M says he has experience in the mortgage industry.

Our investigator said the mortgage illustration says the valuation fee isn't refundable. He said Charter Court appointed a suitably qualified valuer. This was to assist it in making a lending decision. He said Charter Court was entitled to rely on the valuer's opinion and its website says it doesn't allow valuations to be appealed.

Mr M didn't agree. He said he applied to Charter Court under its "Precise Mortgages" brand because it offers mortgages for HMOs. Mr M said it was unfair for Charter Court to accept an application for a HMO and then decline it on the basis the property would only appeal to buy to let investors because it's an HMO. He said the ability to sell the property isn't relevant as he's re-mortgaging not selling the property.

## **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.

Mr M applied to Charter Court for a mortgage. If Charter Court offered the mortgage, the debt Mr M owed to Charter Court would be secured by a charge on his property. If Mr M didn't repay the mortgage Charter Court could recover the debt through the sale of the property. Part of Charter Court's lending decision is to assess whether there would be a market for the property and that it could be sold for enough money to recover the debt.

Charter Court doesn't have expertise to value properties, so it appoints a valuer with the relevant expertise to do this on its behalf. The valuation is for lending purposes, to help Charter Court assess if the property is suitable security for the loan.

I can't look into the actions of the valuer. But I can consider if Charter Court acted fairly when it instructed the valuer and when it relied on the valuer's opinion.

The valuer instructed by Charter Court was a member of RICS. I think the valuer was suitably qualified.

The valuation report says the property isn't suitable security. The valuer said the property's "layout and location is such that demand would only be from buy to let investors. In addition there is no demonstrable rental demand for HMO properties in this locality and accordingly the property is not considered suitable mortgage security".

Mr M's broker contacted Charter Court and asked to appeal the valuation and raise a complaint. Charter Court said it doesn't accept valuation appeals – this is consistent with the information on its website. It said the broker could provide evidence of rental demand and it would review it to see if an appeal to the valuer was possible.

Mr M told Charter Court he'd rented out four rooms within three days and had people lined up for the other two ready for when he got his licence. He said two councils were interested but he'd decided to rent privately due to the demand and the ability to earn more money. I don't think that's sufficient evidence of rental demand for HMO properties in the locality for me fairly to find that Charter Court should have asked the valuer to review the valuation.

Mr M disagrees with the valuer and he's had no trouble renting out rooms in his property. But I don't think that's sufficient for me fairly to find that there's an obvious error in the valuation report that made it unreasonable for Charter Court to rely on it.

I think Charter Court was entitled to rely on the expert opinion of the valuer when making a lending decision.

I don't think it was unfair for Charter Court to allow the broker to submit the application. It didn't decline the application because the property is a HMO. It declined because the valuer said the property wasn't suitable security. Charter Court couldn't have known this would happen when it accepted the application.

Mr M says Charter Court's website doesn't say that applications can be declined on the basis of the subjective opinion of the valuer. Charter Court's website says to help it confirm whether properties are adequate security for the mortgage a property valuation is required for all cases. If Mr M wasn't sure about the purpose of the valuation or what might happen if the valuation wasn't as he'd expected, he could have asked the broker.

The mortgage illustration says the valuation fee isn't refundable. Mr M agreed to proceed with the application on that basis. The valuation was carried out. I don't think it's fair and reasonable to require Charter Court to refund the valuation fee.

Complaint handling isn't a regulated activity, so this isn't something we can look into. It seems there was a misunderstanding between Mr M and his broker about who had or should raise the complaint and where the final response should be sent to. I can't fairly find that Charter Court was responsible for that.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 November 2024.

Ruth Stevenson  
**Ombudsman**