

The complaint

Mr B complains about what happened when he asked Derbyshire Home Loans Ltd (“DHLL”) to extend the term of his existing Buy To Let (“BTL”) mortgage. He said he was charged too much for a survey, and then the report recommended unnecessary extra work.

What happened

Mr B said he’d held his BTL mortgage with DHLL for many years, and recently asked DHLL for a term extension. Mr B said an in-house surveyor for DHLL valued the property in October 2023. Mr B said the report was unclear, misleading and contradictory, in particular the comments about requiring a drains test. He said these comments varied, some saying the drains were blocked, others saying the drains just could be blocked.

Mr B said the term of his existing mortgage was due to expire, and DHLL wouldn’t extend it further unless he had the drains checked, so he had no choice but to do that. So Mr B said he’d paid £168 for unnecessary work. He said DHLL’s surveyor said they had observed water overflowing or puddling around the edges of the manhole, but Mr B said he’d taken his own photos the very next day, and that wasn’t the case.

Mr B also said he received conflicting information about the valuation fee he had to pay as part of this application. He said the fee for this was based on the valuation figure, and he said for his property, this should have been £725. But he was charged £950, and DHLL wouldn’t refund the extra £225.

DHLL didn’t think it had done anything wrong. It said the fee for the valuation wasn’t based on the valuation amount on the eventual report, but on the valuation amount that came back as a result of DHLL’s own initial desktop valuation. So it thought Mr B had been charged the right amount. And it said its surveyors had reviewed the report provided on Mr B’s property, and they were satisfied that the conclusions about the drains were supported by evidence, although DHLL didn’t share this evidence with Mr B.

DHLL said it did accept that it had taken a little longer than it would have liked to action a report for Mr B, and it had given him incorrect information about the term extension at times. So it paid £175, then a further £100, to say sorry for that. But it didn’t think it had to do more than that.

Our investigator didn’t think this complaint should be upheld. He didn’t think DHLL had to do more than pay the compensation it had already offered, if it hadn’t done so already.

Our investigator said it was reasonable for DHLL to use a desktop valuation to set the fee for Mr B’s valuation. And he said DHLL’s guidance said valuation fees wouldn’t be refunded.

Our investigator said the valuation on Mr B’s property had been reviewed, and the outcome was the same. He thought it was reasonable for DHLL to use these professional opinions in Mr B’s application.

DHLL had apologised for giving Mr B some wrong information, and our investigator thought

the £175 and £100 compensation offered for the inconvenience caused to Mr B was fair.

Mr B had apparently understood that our investigator was suggesting a new award, but DHLL said it had already paid the money it had previously offered Mr B. Mr B said that couldn't be right, because those payments weren't for the things he'd complained about here. Our investigator said that our service does look at complaints in the round, he'd looked at how DHLL treated Mr B, and thought the payments it had made were fair for that.

Mr B said he was confused. He said he wasn't concerned about being charged a fee for the valuation if the application was declined or otherwise didn't go ahead. He said his complaint was that he should have been charged a fee based on the actual value of his property, and that would have meant he'd pay £725. But he was charged a higher fee. And Mr B also said the surveyor had contradicted himself on whether the drains "*were blocked*" or "*may be blocked*". Mr B said he was concerned about the truthfulness of these comments.

Our investigator said he'd commented on these points in his initial view, and he hadn't changed his mind. Because no agreement was reached, this case was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

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

Mr B said he thought he'd overpaid for the valuation report which was carried out. DHLL has told Mr B that it bases the cost of the valuation on the value it can see as part of a desktop valuation, so he'd paid the appropriate fee. But it doesn't appear to have set this out for Mr B when the fee was paid. Additionally, it does look as if Mr B has questioned this a number of times, and may not always have received a response which was clearly and consistently along the lines of that which DHLL has now offered our service.

Mr B doesn't want the whole fee back. But he said he'd paid £950, based on an initial desktop valuation, just to keep things moving. DHLL's notes do seem to support Mr B's argument, that he had always said DHLL's desktop valuation was a considerable overestimate, and I note that Mr B's proffered valuation was much closer to the valuation DHLL eventually adopted from its own surveyor.

So the circumstances of this case are that DHLL initially considerably overvalued this property, Mr B sought to correct that before the physical inspection of the property was done, and the actual valuation was then returned at a level which was both closer to Mr B's estimate, and which would have triggered a lower fee from DHLL. And in these circumstances, I wasn't clear it was fair for DHLL to insist that it should retain all of the payment which was made on the basis of its own initial overestimated value.

I raised this with DHLL, and it has said that it doesn't usually refund any excess fee charged, if the actual valuation returns a figure lower than the desktop valuation. Similarly, it doesn't ask customers to pay a higher valuation fee, if the actual valuation returns a higher fee. But DHLL said it is currently reviewing its process for term extension, and its policies on valuation fees as part of that process. So it said in this case, it would like to pay Mr B back the difference between the valuation fee he paid, of £950, and the valuation fee due, under DHLL's own fee scale, for the property that was valued, which is £725.

I agree that providing a refund of £225 would provide a fair and reasonable outcome to this part of Mr B's complaint, and I will include that in my award.

Mr B also complained about the content of the valuation report DHLL received. As that valuation was done by a firm with close links to DHLL, I am satisfied that I am able to consider the content of the report in this case.

DHLL received a report which said that the underground drainage at Mr B's property either was, or might be, blocked. So the valuer said a drains test needed to be undertaken by a specialist contractor, and all recommendations should be implemented.

This report states the valuer's professional opinion about the property, which was that without further investigation and any required repairs, it would not be suitable as security for lending. Mr B takes issue with the language used here, and in particular the difference between whether the drains were, or just might be, blocked. But I don't think anything turns on that. Once the valuer has identified a concern with the drainage at the property, I think it is reasonable for the valuer to say this concern should be investigated. And it's also reasonable for DHLL to take that advice.

Mr B said he didn't think this could be right, because there was no standing water there when he went to investigate himself. Mr B said he could show us a picture inside the drains taken a day after the valuation was carried out showing that there were no blockages or water within the drains. But I note that the picture Mr B sent us of the drains, does appear to show some debris in the drain area. And the invoice he has shown our service said the work done immediately after the valuation report was completed, consisted of both manually clearing out debris from this drain, as well as ensuring it was then flowing freely.

When Mr B complained, DHLL asked its valuer about this, and that valuer's conclusions were reviewed by a colleague, who said he had seen evidence of water puddling in this area on the date the valuation was completed. I've now asked DHLL to send this evidence, and it has showed me a still photo taken from the video. That suggests there was, as DHLL said, water puddling or overflowing around this area.

Considering both DHLL and Mr B's evidence on this point, I do think it was reasonable for DHLL to ask Mr B to provide a drainage report, before it would extend the mortgage term. I don't think DHLL's decisions on this point were unreasonable or unfair. I don't think DHLL has to pay Mr B back for the work that he had carried out.

Mr B also said DHLL had only paid compensation in respect of other issues he'd raised, and nothing for the complaint points before us now. Our investigator explained that our service does look at cases in the round, and can take account of payments made previously. Like him, I don't think DHLL has to pay additional compensation in this case.

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.

DHLL said it wanted to accept my provisional decision. But Mr B didn't want to accept.

Mr B said that he didn't agree with my provisional decision. He still felt he'd faced an unnecessary financial loss of £168 for a drain survey.

Mr B stressed that this was an in-house survey. He said he didn't feel the surveyor was confident in his decisions, because of the conflicting use of language. I explained in my provisional decision why I didn't think anything turned on that.

Mr B queried the professionalism of the surveyor. He sent our service photos he said were taken after the day of the inspection, and said there was no water puddling then. He said the rainwater downpipe there was full of leaves. He said he had cleared some of these leaves. He thought this was what had caused water to puddle in this area.

Mr B explained his reasons for thinking the manhole cover hadn't been full of water. And he said if it was, then the surveyor ought to have lifted the lightweight manhole cover to check.

I understand that Mr B has reached a different view here. He has pointed out that the surveyor who carried out this work was employed by an associated business. I do think it's likely that the surveyor has taken a more risk averse approach here than Mr B would have taken. But I don't think that means that the survey produced for DHLL was unfair or unreasonable, or that it was unfair or unreasonable for DHLL to follow its recommendations.

I have taken into account, in reaching this conclusion, that the cost to Mr B of checking the drains was relatively modest, and the impact of the standing water caused by a blocked drain on a property can be significant.

Mr B said that the property had been mortgaged with DHLL for 20 years with no reported issues. And the mortgage loan was only just over 25% of the value of the building.

I don't think DHLL would have been likely to be made aware, if Mr B's property had developed problems with the drains while it was mortgaged with it. So the fact that DHLL wasn't aware of any problems in the last 20 years doesn't affect my conclusions here. And I don't think DHLL had to waive its usual checks on a property, because Mr B was borrowing a low percentage of the property's value.

Mr B said he would like to see pictures or video of the whole area, including the paving, gully and all of the manhole cover as well as the whole of the surrounding area.

Because our service is independent, we don't take direction from either side on appropriate evidence to reach a conclusion. I'm satisfied here that the evidence we have is sufficient to support that DHLL's actions in this case were reasonable. Our service can share the photo we have with Mr B if he wishes, but I won't request more evidence now because Mr B would like to see it.

Mr B said he still thought DHLL had been intentionally difficult during his remortgage. I understand that Mr B has been very unhappy with the remortgage, but I don't think that DHLL has deliberately sought to prolong this process for him.

Finally, Mr B said he wanted to know what to do if he still didn't agree with my further findings.

This is the final stage of our process. If Mr B disagrees, he does not need to accept this decision. If he does not do so, it won't be binding on him or on DHLL. So DHLL won't have to make the payment I propose. Mr B may then choose to pursue his dispute through other avenues, if he wishes to do so, but our service cannot assist with that, and the final decision will not change.

For the above reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that Derbyshire Home Loans Ltd must pay Mr B back £225 of the valuation fee he has paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 November 2024.

Esther Absalom-Gough

Ombudsman