DRN-5182733

Financial Ombudsman Service

The complaint

Mr D’s complaint is about a mortgage he has with Accord Mortgages Limited. He believes that Accord overcharged him because of when his new interest rate product was added to the mortgage. In addition, he says that he was given incorrect information about the situation and never got a clear answer to his concerns about the situation.

What happened

Mr D took out his mortgage with Accord in 2022. He borrowed just over £291,000 over a term of 29 years on a repayment basis. Accord had a valuation completed and the property was valued at £400,000, which determined the loan-to-value (LTV) was 72.8%. As such, Mr D was eligible for an interest rate product in the up to 75% category.

In January 2024 Accord wrote to Mr D to remind him that his interest rate product was due to end on 31 March 2024. It explained to him how to go about arranging a new product. Mr D didn’t do so immediately and the mortgage moved onto standard variable rate (SVR) on 1April 2024.

In order to determine what products Mr D was eligible for, Accord completed what is known as a desktop valuation. This uses the last physical valuation information and updates it in line with market information about changes in house prices. Accord uses the House Price Index to update valuations for the purposes of taking out new products. The value Accord produced in May 2024 was £391,200. At that time Mr D owed just under £275,000 on the mortgage and so his loan-to-value was determined to be 70.3% and so he was eligible for a product from the up to 75% category.

In May 2024, Mr D arranged a new product for the mortgage through an independent mortgage broker. The product was applied to the mortgage as of 16 May 2024. From June 2024 Mr D’s payments changed to £1,683.16.

Mr D complained that the valuation figure Accord had used when deciding what interest rate products he was eligible for was too low. He also thought the monthly payment collected for May 2024 was wrong, as he selected a new interest rate product on 16 May 2024, and he was given incorrect information about what that payment would be.

Accord responded to Mr D’s complaint in a letter of 4 June 2024. It explained how the valuation figure had been calculated and it was satisfied that it was right. However, it also pointed out that the reduction in value had not affected the product he was eligible for, as he would have been in the same LTV bracket even if he the previous valuation had been used. Accord also confirmed that Mr D’s May payment was collected on 1 May and so calculated based on the interest rate applicable at that time. As Mr D hadn’t selected a new interest rate product at that point, the payment was calculated based on Accord’s standard variable rate (SVR). The new product was then applied as of 16 May 2024 and the slight overpayment of interest in the May payment was accounted for when the payments going forward was calculated. It did not consider that Mr D had been given any incorrect information, nor did it consider that it had done anything wrong.

Mr D contacted Accord in September 2024. He asked that his monthly payment was recalculated in light of the interest rate being reduced. Accord reviewed the monthly payment and reduced the monthly payment to £1,641.09.

Mr D was not happy with Accord's response and referred his complaint to this Service. One of our Investigators considered the complaint, but he didn't recommend that it be upheld. Mr D didn't accept the Investigator's conclusions and asked that the complaint be referred to an Ombudsman. He said that he believed the change to the monthly payment from October 2024 was due to a reduction in the interest rate and did not take account of the overpayment of interest in May 2024.

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.

As I have explained above, it is normal practice in the mortgage industry for a desktop valuation to be completed when a borrower wants a new interest rate product. If it was not done in this way, the borrower would have to pay a valuation fee each time they wanted a new interest rate product. This cost would then impact the benefit received from any product. In addition, the need to complete a physical valuation could delay a product being attached to a mortgage, potentially causing a mortgage to remain on SVR for longer and increasing the amount of interest charged. As such, I can't find that Accord's normal process is unreasonable or unfair to its customers.

However, a lender should, where a borrower is unhappy with the desktop valuation, give them the option to have a physical valuation completed. Accord did offer that service and Mr D declined it. I am satisfied that Accord did what it should have in this regard.

Mr D is essentially not happy with the valuation figure as a property website valued his home at significantly more than Accord's system did. I would firstly make Mr D aware that the property website uses a similar system from Accord – it takes the last purchase price, factors in if the owner has told it they have completed improvements to the property, and it then applies assumptions about house price movements to the original purchase price. The fact that it came up with a different figure to Accord's system does not mean that Accord's figure is wrong. It simply means that it has worked out the hypothetical value differently. I would also comment that the figure Mr D quoted would have meant that its value increased by 19% over a period when house prices had fallen at times and had overall been quite static in most areas.

As I have said above, the only way to get a more accurate figure for the value of a property is to have a physical valuation completed. Mr D was offered this option and declined it. As such, I can't find that Accord did anything wrong in relation to the valuation of Mr D's property used to establish the LTV and the products he was eligible for.

Mr D has said that he believes he was overcharged because his new interest rate product was attached to the mortgage mid-month, after he had paid the monthly payment for that month. He is correct that the amount of interest that was charged for May 2024 was based on the assumption that the mortgage would stay on the same rate for the whole month and so, it was higher than the actual amount charged once the new interest rate product was attached. However, when the new interest rate was attached to the mortgage, the existing position of it, including the amount Mr D had already paid, was taken into account when the payment for June 2024 was calculated. I know that Mr D doesn't believe this to be the case. However, he has provided no evidence that supports that belief and the approach Accord has said its systems take is quite standard in the mortgage industry.

I would also confirm to Mr D that it is not the role of the Financial Ombudsman Service to provide an auditing service or carry out a forensic analysis of mortgage accounts. I have looked at the information provided by both parties and there's nothing in that information that appears unusual or incorrect. Of course, it's open to Mr D to instruct an independent, suitably qualified professional to audit his account to ensure that he has not been overcharged. That would have to be at his expense – though if errors were found to his financial detriment, he could complain about them and his costs in discovering them could be taken into account in putting matters right. However, as things stand, I am not persuaded that Accord failed to administer Mr D's mortgage as it should or failed to take into account when setting his monthly payment from June the amount he had paid up to that point.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 16 January 2025.

Derry Baxter
Ombudsman