

The complaint

Ms G complains that Metropolitan Housing Trust Ltd incorrectly calculated the amount required to redeem her mortgage, causing a number of issues.

Ms G is represented in this case by her daughter, but for ease I will refer to Ms G only when referring to points made by either Ms G or her daughter.

What happened

Ms G took out a type of shared equity loan with Metropolitan Housing Trust Ltd (MHT) in 2009. She borrowed £70,000 over a maximum term of 25 years and in order to redeem the mortgage she was required to pay a percentage (equivalent to the original loan to value) of either the property sale amount, or of the deemed value of the property (if the property wasn't being sold).

In 2024, Ms G was engaging with MHT about redeeming the loan. In May 2024, Ms G phoned MHT to ask how much the redemption figure would be. MHT's representative told her a figure that was approximately £111,000, plus an administration fee. They said this was calculated by taking the property value (£420,000), deducting the value of improvements carried out on the property (£60,000), multiplied by the original loan to value figure. The property loan value and deemed value of the home improvements had been calculated by an independent surveyor.

Ms G said the redemption amount was incorrect. She said she had calculated a lower redemption figure by applying the percentage to the full property value, then deducting the £60,000 from that figure. MHT's representative agreed with Ms G's logic and suggested the discrepancy must be down to a systems issue.

Ms G was redeeming the MHT mortgage through a re-mortgage with a different lender, which was to generate funds to put towards a property being purchased by her daughter, whom she was going to move in with. A few weeks later, MHT sent Ms G's solicitor redemption details, with the redemption amount similar to the one originally mentioned over the phone by MHT's representative.

Ms G redeemed the mortgage and the associated property purchase by her daughter went ahead. But Ms G complained to MHT that the redemption figure was too high and not what she'd been expecting. She was also unhappy about delays in the redemption process.

MHT upheld the complaint, conceding that its representative had given incorrect information over the phone. It also agreed that it had caused some delays during the process.

It offered Ms G £300 in compensation to reflect what had happened. But it didn't agree the redemption figure was wrong.

Ms G remained unhappy and referred her concerns to the Financial Ombudsman Service. She said MHT's redemption figure calculation was incorrect and had been done in a way that meant she needed to pay around £30,000 more than she thought was correct.

Ms G said the extra £30,000 she had to pay to meet the higher redemption amount had been earmarked for renovations to the property purchased by her daughter, in order to meet her own disability needs. And she described a number of issues and difficulties that flowed from this.

Following the redemption process, arrears on the account (approximately £2,400) remained outstanding. After Ms G had referred the complaint to the Financial Ombudsman Service, MHT made an improved offer – to waive the outstanding arrears on top of the £300 compensation it had already offered. This equated to a total of £2,765.24.

An Investigator here relayed that offer to Ms G, but she didn't accept it. The Investigator then issued an assessment of the case. In summary, they said they thought the offer MHT had made was a fair way to resolve the complaint. They said that although incorrect information had been provided over the phone, it had then been corrected in writing. They said the calculation had been done correctly and any questions or concerns about the redemption figure provided to Ms G's solicitors could've been raised before the matter was concluded.

Ms G didn't agree. In summary, she said the re-mortgage amount had been based on the redemption figure agreed over the phone and so by the point it came to light, they had no choice but to proceed. She re-iterated she thought the redemption calculation was incorrect and had been done in a way to benefit MHT. And that her daughter was considering selling the property because of the lack of funds to carry out renovations – and difficulty raising additional funds due to a change in circumstances.

The Investigator still didn't think the complaint should be upheld and so it was passed to me to make a decision.

I issued a Provisional Decision (PD) in January 2025, where I reached the same overall outcome as the Investigator, but for different reasons. In the PD, I said the following:

"The redemption figure

A key issue in this case is the redemption figure for the mortgage. Ms G says that MHT has calculated it incorrectly in order to obtain more money and that MHT hasn't been able to justify the way it calculated the figure. MHT says the figure has been calculated correctly.

There is no dispute about the percentage used. The dispute is in relation to how the deemed value of the home improvements should be treated.

I've seen various guides that I understand to be relevant to Ms G's loan that refer to the treatment of (the value of) home improvements. But key here is the contract that Ms G agreed to - the loan agreement.

The loan agreement was signed by Ms G when she took out the loan. It sets out the basis upon which the loan would be redeemed. Under section 1.1 (explaining the meaning of certain terms), it includes the following:

***"Open Market Value** means the price which the property would fetch on the open market on a sale by a willing vendor to a willing purchaser....disregarding any additions or improvements made by the Borrower...."*

On my reading, the way in which MHT has calculated the redemption figure is consistent with this, because when it deducted the deemed value of the home improvements before then applying the relevant percentage, it was 'disregarding any additions or improvements made by the Borrower.'

Ms G's calculation applies the relevant percentage to the full property value i.e. inclusive of the deemed value of the home improvements. I find that this is not consistent with the 'Open Market Value' definition, because in contrast to MHT's method of calculation, it doesn't disregard any additions or improvements made by the borrower in terms of the property value figure.

As such, I am currently of the mind that MHT's method of calculation is consistent with the loan agreement and is fair.

Did the incorrect information MHT gave over the phone in May 2024 otherwise cause Ms G a financial loss?

I can appreciate that following the phone conversation between Ms G and MHT's representative, Ms G was expecting the re-mortgage she was undertaking to result in her having more funds available e.g. to use towards renovations as she has described.

But I can't see that the incorrect information MHT provided to Ms G over the phone in May 2024 has caused her a financial loss. I say this because Ms G always needed to pay a redemption amount in line with the terms of the loan, which is what has happened.

If the redemption hadn't gone ahead when it did, Ms G would still have owed the same amount (or more i.e. plus further interest).

Compensation for distress and inconvenience caused to Ms G

I must first make clear that I can only consider the distress and inconvenience caused to Ms G as a result of the incorrect information given by MHT's representative. Ms G has indicated that the misinformation has also impacted her daughter, but Ms G is the only eligible complainant in this case. I cannot consider the impact of what's happened on Ms G's daughter.

MHT has offered a total of around £2,700 to put things right, split by £300 in compensation for distress and inconvenience caused and around £2,400 in arrears that it had agreed to waive.

I'm satisfied from account statements I've seen that the arrears MHT has agreed to waive were owing. Because of this, in order for me to say that MHT needs to do more to put things right, I would need to conclude that a payment of more than £2,700 is necessary to reflect the distress and inconvenience caused to Ms G from the delays and the incorrect information MHT provided during the phone call in May 2024.

I don't find this to be the case. I think it would be helpful for me to put the £2,700 offer in context. An award for distress and inconvenience of £2,700 is appropriate where mistakes cause sustained distress, potentially affecting someone's health, or severe disruption to daily life typically lasting more than a year.

MHT has conceded it caused some delays in the exchanges with Ms G about the redemption process. I can see this is the case and is something that needs to be taken into account when thinking about a fair level of compensation. But Ms G says the misinformation during the May 2024 call has caused significant issues relating to her daughter's property purchase. However, it's not clear to me that the incorrect information MHT gave during the phone call in May 2024 can reasonably be said to be the cause of all of the issues that Ms G has told us have resulted from what's happened.

I haven't seen that MHT gave Ms G incorrect information about the redemption figure in

writing at any point. So, my current understanding is that Ms G went into the phone call with MHT in May 2024 with a redemption figure she thought was correct based on her own calculations.

Ms G has said she only applied for the level of re-mortgage that she did, based on the phone call in May 2024. This was around four weeks before the mortgage was redeemed, and her daughter's property purchase went through. Whilst it's possible that Ms G hadn't applied for the re-mortgage (or decided the amount she wanted to borrow) before the phone call in May 2024, this doesn't strike me as particularly likely.

Ms G has said she was re-mortgaging to provide a certain level of funds linked to her daughter's property purchase. It doesn't seem likely to me that decisions her daughter was making in relation to the property purchase, including things like the purchase price, would've been made only four weeks before the sale went through. I think it's more likely that the sale price had been agreed before the May 2024 phone call and that, associated to this, Ms G would already have had a re-mortgage figure in mind, based on the redemption calculations she'd done.

With that said, Ms G may have been able to increase the amount of her re-mortgage had she been given the correct information during the May 2024 call. However, even if that's correct, I don't consider that an award for distress and inconvenience of more than £2,700 is due here.

If Ms G's (or Ms G's daughter's) ability to raise additional funds has become difficult due to any change in circumstances, I don't find this can reasonably be said to be MHT's fault. So whilst there were some delays caused by MHT and whilst the incorrect information given by MHT has clearly caused some distress and inconvenience to Ms G, I don't find that an award of more than £2,700 is required.

My provisional decision

Taking everything into account, I'm currently minded to say that MHT's offer is enough to put things right and to direct it to pay the amount it has already offered."

I asked both parties to provide any further comments or evidence for me to consider, by 31 January 2025. MHT said it had nothing further to add. Ms G disagreed with the provisional outcome.

In summary, Ms G provided further information about her circumstances, including her disabilities and what caused them. She emphasised that the redemption of the MHT mortgage was part of a decision she and her daughter had taken to move into a property together, one which would accommodate her needs.

Ms G emphasised that the difference in the redemption figures of approximately £30,000 was the amount they'd estimated would be required to carry out the renovations of the property they were purchasing, to mean that it would accommodate her needs.

When MHT said the higher redemption figure needed to be paid, this resulted in her and her daughter not having the funds to carry out the property renovations, which has caused great hardship.

Ms G said that when applying for the new mortgage, she contacted MHT to obtain a redemption figure and it provided her with the figure of £70,662. She said this was the figure they used to calculate what re-mortgage would be required to repay the MHT mortgage, buy the new property and leave enough for the renovations.

Ms G said that in the many interactions with the MHT after this point, it never questioned the redemption figure of £70,662. She said that on the day of completion, she had no choice but to pay the additional £30,000 and to deal with the issue afterward.

Ms G emphasised that she still believes the higher redemption figure used by MHT is incorrect and she elaborated on the issues she and her daughter had faced resulting from the higher redemption figure. But she also said that, if she'd been told about the higher redemption figure, she would've borrowed the additional £30,000 as part of her re-mortgage. Ms G said she's taken legal advice from litigation solicitors and they've confirmed to her that legally MHT did make a false representation and this cost Ms G in excess of £30,000.

I asked Ms G to clarify whether what she'd said about MHT providing her with the lower redemption figure related to the call that took place on 22 May 2024, or other occasions (and if other, details of when this happened and whether in writing or over the phone). I also asked her to elaborate on what she'd said about MHT not correcting her or questioning her about the redemption figure in the interactions after.

Ms G said that the redemption figure was first discussed at the beginning of April 2024, and that in the information MHT provided at that time, it outlined how the redemption figure would be calculated as regards home improvements. She said that following numerous interactions to do with the valuation, the redemption figure started to be discussed, which led to the call on 22 May 2024. Ms G said there were a number of calls after that where she confirmed the redemption amount and MHT's agent continued to agree with her figure.

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.

Having done so, I've reached the same overall conclusion as set out in my PD (which forms part of this Final Decision), for fundamentally the same reasons.

Before I explain why, I wish to reiterate the purpose of my role. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint.

For that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having considered all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint.

Nothing said in the responses to my PD changes my mind about the key issues in this case. These remain whether the redemption figure ultimately requested by MHT is correct. And the impact on Ms G of what MHT told her about the redemption figure. So, I've considered these issues.

The redemption figure

In response to my PD, Ms G has said that MHT calculated the redemption figure the way it did to ensure it got more money. She also said it's clear that it sent the redemption document on the day of completion with the larger amount, because it knew she'd have no choice but to complete.

I take from this that Ms G still doesn't accept that the way MHT ultimately calculated the redemption figure is correct or fair. I explained in my PD why I considered that the way MHT

ultimately calculated the redemption figure was consistent with the loan agreement and fair. Ms G hasn't engaged with the analysis in my PD. As such, I see no reason to depart from my provisional finding on this point. Which is that the redemption figure that MHT ultimately provided is consistent with the loan agreement and is fair – and therefore that the difference between this figure and the lower redemption figure that she'd calculated, doesn't represent a financial loss.

Did the incorrect information MHT gave over the phone in May 2024 otherwise cause Ms G a financial loss?

I thank Ms G for taking the time to elaborate on her circumstances and I accept the circumstances she's described about her situation following on from the redemption of the MHT loan are very challenging. However, I still don't consider this means that MHT has caused her a financial loss.

In general, the remedy for misrepresentation or misinformation isn't to put someone into the position they thought they were in. Instead, it's to establish what impact the misinformation had. Ultimately, Ms G always needed to pay a redemption amount in line with the terms of the loan, which is what has happened. Therefore, I still consider that the issues here in terms of MHT providing her with the wrong information, haven't led to her experiencing an actual financial loss.

If Ms G's (or Ms G's daughter's) ability to raise additional funds has become difficult due to any change in circumstances, I still don't find this can reasonably be said to be MHT's fault or that it represents a financial loss caused by MHT.

Compensation for distress and inconvenience caused to Ms G

I've thought very carefully about everything Ms G has told us about her circumstances and the difficulties she has experienced since redeeming the MHT loan. Ultimately, this hasn't altered what I think about the level of compensation due in this case.

An award for distress and inconvenience in the region of £2,700 is appropriate where mistakes cause sustained distress, potentially affecting someone's health, or severe disruption to daily life typically lasting more than a year.

Ms G has explained that, in addition to the issues surrounding the redemption figure, she also encountered delays and frustration in relation to the property valuation and what MHT was saying about this. MHT has acknowledged it caused some delays and that it could have handled things better in terms of its interactions with Ms G leading up to the redemption of the mortgage. I can see from having looked at the timeline of event and the communications between MHT and Ms G that this is the case – and I've taken this into account.

I also still accept that if Ms G had been given the correct information by MHT in the lead up to the redemption of the mortgage, she may have been able to increase the amount of her re-mortgage.

Things clearly could've been handled better by MHT in terms of both the valuation process and in relation to the redemption figure. And the incorrect information about the redemption figure given by MHT has clearly caused some distress and inconvenience to Ms G. But taking everything into account, I still don't find that an award of more than what has already been offered is required here to put things right.

My final decision

My final decision is that I direct Metropolitan Housing Trust Ltd to pay Ms G the total figure of £2,765.24 that it offered to resolve the dispute. If Metropolitan Housing Trust Ltd has already paid some or all of this figure, it can deduct this from what it now needs to pay.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 10 March 2025.

Ben Brewer
Ombudsman