

## **The complaint**

Mr M and Mr T have complained about the valuation that was carried out on their property when they applied for some additional mortgage borrowing with Cambridge Building Society. They don't think the valuation was accurate and are unhappy with what happened when they tried to challenge it.

## **What happened**

Mr M and Mr T took out this mortgage in 2020 under a shared ownership scheme to buy a property. The full purchase price was £480,000 and Mr M and Mr T took out a £182,400 mortgage to buy a 40% share. A valuation was carried out for Cambridge in June 2020 and that gave a valuation figure of £480,000, so the value for Mr M and Mr T's share was £192,000. The application was made through an independent mortgage broker.

In August 2022, when their initial two-year preferential rate product was coming to an end Mr M and Mr T, through the same mortgage broker, arranged a new preferential rate for this part of their borrowing. The interest rate was fixed for the first 24 months, and the product was put in force on 1 September 2022.

In November 2022, through the same mortgage broker, Mr M and Mr T applied to increase their mortgage to £319,150 to purchase an additional 30% share in the property. A valuation was carried out and that gave a valuation figure of £480,000, so the value for Mr M and Mr T's share was £336,000. The extra borrowing was also put on a preferential rate which was fixed for the first 24 months, and it completed in December 2022.

On 30 August 2024 Mr M and Mr T spoke to Cambridge as their fixed rates were coming to an end later that year and they wanted to arrange new preferential rate products. The interest rate for part one was due to end on 31 August 2024 and the rate for part two was due to end on 11 December 2024.

As part of the process Cambridge used an index linked valuation, which gave a valuation figure of £479,500. It was also discussed at that time that Mr M and Mr T were intending to borrow further funds to buy the final share of the property. There was a discussion about the valuation figure as Mr M and Mr T felt their property was worth more – with figures between £500,000 and £550,000 being mentioned – but as a higher valuation figure wasn't needed for the rate change application it proceeded using the index linked figure. The new rate for part one took effect from 1 October 2024 as it was too late for the change to take effect any sooner.

At the start of September 2024 an application was made for the additional borrowing. Mr M and Mr T wanted to borrow £135,000 to purchase the remaining 30%, and that was agreed in principle subject to receipt of a satisfactory valuation.

A note input on Cambridge's system on 5 September 2024 said the shared ownership provider had valued the property at £450,000 so Mr M and Mr T were buying the final share for £135,000. It went on to say that Mr M and Mr T had estimates from estate agents of the

property being worth up to £550,000 so the requested £135,000 would be under the maximum 95% loan to value that was allowed if a value of £550,000 was used.

A note the following day indicated that Mr M and Mr T intended to complete on or after 1 December 2024 and some unsecured debts, that if left outstanding would have made the lending unaffordable, would be repaid by then. The estimated value was input as £550,000 for the application.

A valuation was carried out at the start of October 2024 and that gave a valuation figure of £440,000, which meant the additional amount Mr M and Mr T could borrow was reduced to around £109,000. Unhappy with that Mr M and Mr T appealed the valuation, saying there were errors in the report and providing details of comparable properties in the area. The appeal was submitted to the surveyor who didn't adjust their valuation figure, and a complaint was raised with the firm of surveyors. A further appeal was raised with an area manager of the firm of surveyors, and they didn't agree there had been an error.

In the meantime Cambridge considered a complaint about its service, which it didn't uphold. It said in its complaint response of 20 November, as a gesture of goodwill, it would agree to unwind the new preferential rate product that had been put in place so the mortgage would move to the standard variable rate (SVR) backdated to 1 October 2024 and there would be no early repayment charge (ERC) if Mr M and Mr T chose to remortgage elsewhere to complete their staircasing to 100%.

On 27 November Mr M and Mr T said they wanted to revert to the SVR, which was done. I understand Mr M and Mr T redeemed the mortgage on 30 January 2025, and no ERC was paid.

The complaint was referred to our service where it was looked at by one of our Investigators. He said Cambridge had provided fair information during the product switch and was entitled to rely on the professional opinion of the surveyor. He said Cambridge had forwarded Mr M and Mr T's concerns about the valuation to the firm of surveyors to appeal, and when that was unsuccessful it offered to proceed with a lower loan amount. He said instructing a second survey wasn't part of Cambridge's process, and that wasn't unreasonable.

Mr M and Mr T didn't agree and so the case was passed to me to decide.

### **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 trust Mr M and Mr T won't take it as a discourtesy that I've condensed their complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

An index linked valuation figure is a standard tool mortgage lenders use to give them an idea of what an average property in that area is likely to have increased or decreased in value by. It is a fairly blunt tool as it doesn't take into account the exact details of the individual property in question, but overall it is a cost-effective way of a lender keeping track of the potential approximate value of a mortgaged property, without needing to instruct a formal valuation. For that reason, index linked valuations are often used by mortgage lenders for rate change applications where no additional lending is taken. But once additional lending is required especially where, as here, the loan to value will be fairly high, a lender normally

instructs a physical valuation to be carried out so the individual details of the subject property are taken into account when reaching a valuation figure. Both of those processes are entirely normal in the mortgage industry and I don't think Cambridge did anything wrong in relying on an index-linked valuation for the rate change application, but then requiring a physical valuation for the further borrowing application.

Cambridge doesn't have the expertise to value property, so it employs the services of a surveyor. When doing so, it's obliged to instruct a suitably qualified surveyor – a requirement that was fulfilled in this case by appointing a member of the Royal Institution of Chartered Surveyors. Cambridge is not accountable for any act (or omission) by the surveyor or the firm they work for. That means I can't consider a complaint about the contents of the valuation report (that is, whether it is accurate or not).

Cambridge is in our jurisdiction, but only for its acts or omissions; we can't consider complaints against it for things a separate business did (or didn't do). All I can consider against Cambridge is if it discharged its duty in instructing a suitable firm of surveyors and having considered everything I'm satisfied it did.

The surveyor, as an independent professional, decided the property was only worth £440,000. I can't hold Cambridge liable for the figure the surveyor reached as it had no input in that (nor can I hold Cambridge liable for any other alleged inaccuracies in the report). If the surveyor felt the property was worth more than they would have given that as their valuation figure. They didn't, they gave a valuation figure of £440,000. The fact the estimated valuation figure was input by Cambridge as £550,000 would have had no bearing on the valuation reached by the surveyor. There's simply no evidence to suggest that led to the surveyor down valuing the property, and there would be no benefit to the surveyor in doing so, especially if their figure couldn't be supported by other evidence so any appeal would simply be upheld.

A valuation for lending purposes is just for the lender's benefit. A lender is entitled to decide what – if any – valuations can be appealed, and the criteria for those appeals. Cambridge went through an appeals process, and the expert surveyor wasn't persuaded to change the valuation figure they had given. It was also appealed to a regional manager and then an area risk assessor within the surveying company, both of which said that the surveyor hadn't erred in the valuation figure they reached.

Mr M and Mr T have said that there were inaccuracies in the valuation report (such as relating to the type of heating in the property) and they wanted a second, independent, valuation to be instructed. But there already was a second, independent valuation report on the property that had been carried out on 30 July 2024 which was the valuation Mr M and Mr T instructed for the shared ownership company so the staircasing purchase price could be calculated.

That report gave a valuation figure of £450,000, so only £10,000 different to the figure given in the mortgage valuation report, and £50,000 to 100,000 less than Mr M and Mr T said they thought their property was worth.

Both the reports (that is, the amended one carried out for the Cambridge mortgage application and the one for the shared ownership company to calculate the staircasing purchase price) said all main services except gas would appear to be connected or available, and heating was provided by a communal heating system (rather than the property having individual gas central heating). The reports from 2020 and 2022 also said there was no gas to the individual property and the heating wasn't individual gas central heating.

Mr M and Mr T have also commented on the fact the report carried out for the Cambridge application said the property was located in a flood risk area. But that is factually correct. The government's flood risk checker<sup>1</sup> has the options very low, low, medium and high, and for "rivers and the sea" when entering Mr M and Mr T's property details it gives the chance of flooding as "low".

And whilst the report says "no" to there being a National House Building Council warranty, it does say "Warranty details unknown. It is assumed an acceptable warranty is in place..." so the property wasn't downvalued due to that, the surveyor simply noted they didn't know if it was a National House Building Council warranty or a warranty from some other, equally valid, provider.

In any event, as I've explained above, we can't consider the work of the surveyor – including any alleged inaccuracies - in a complaint against Cambridge, I simply provide the above explanations to try to help Mr M and Mr T's understanding.

I'm satisfied Cambridge did nothing wrong here in respect of the property valuation, and I don't think there is anything more it could have done. Quite simply, more than one independent expert surveyor said their property wasn't worth what Mr M and Mr T thought.

Mr M and Mr T have said they wouldn't have gone ahead with the rate switch in September (which took effect from 1 October 2024) if they'd known their property would have been downvalued. They've said they were told there wasn't time for a valuation to be undertaken for the rate switch, which is why they used the index linked figure of £479,500 instead. They said that had they known, they would have switched to a different lender in September.

Mr M and Mr T's preferential rate was ending on 31 August 2024 and unfortunately they didn't tell Cambridge they wanted to discuss potentially getting a new rate until 30 August 2024. In a call with a Cambridge mortgage adviser on 30 August 2024 it was discussed that there was an option to instruct a valuation for the rate change application, rather than relying on the index linked figure, but due to the time pressures there was concern that would cause delays which would mean a further month on the SVR as the paperwork needed to be completed by 10 September for the rate to take effect from 1 October. They have said they couldn't afford to remain on the SVR. I understand there would also have been a fee of £515 for the valuation for a rate change application, whereas by waiting until the further advance application was made meant the valuation fee charged was only £100.

Having listened to the calls very carefully I think the Cambridge mortgage adviser fairly set out the options to Mr M and Mr T. She gave them the option to have a valuation done at that time, but explained the risk in that the valuation would need to be carried out and the report received before the rate change application could be done, and if the rate change wasn't accepted by Mr M and Mr T by 10 September then it wouldn't take effect until 1 November (rather than 1 October) leaving them to pay an additional month on the SVR. That seems a fair warning for her to make, and had she not warned them and then the rate change application was delayed because of it, I'm sure Mr M and Mr T would have been unhappy at being charged the SVR for an additional month. Having considered everything very carefully, I'm satisfied the Cambridge mortgage adviser didn't mislead Mr M and Mr T, instead she gave them the options and they opted to wait to instruct the valuation with the further advance application.

Having considered everything I don't find Cambridge was at fault for a valuation not being carried out sooner.

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<sup>1</sup> [www.gov.uk/check-long-term-flood-risk](http://www.gov.uk/check-long-term-flood-risk)

Mr M and Mr T have said their new lender issued a mortgage offer within two to three weeks over the Christmas period. They have provided a copy of a mortgage offer which shows they applied through the same mortgage broker they had previously used, with the offer being issued on 10 January 2025 and their property had been valued at £475,000. The mortgage completed on 30 January 2025.

It isn't clear when Mr M and Mr T applied to the other lender, but bearing in mind they said the mortgage offer was issued within two to three weeks I can only take from that the application was made around 20 December 2024. Mr M and Mr T were told of the valuation figure for the Cambridge application on 15 October 2024 – over two months earlier. Whilst I understand Mr M and Mr T decided to challenge the valuation and make a complaint, that was their choice and I can't hold Cambridge liable for the delay in Mr M and Mr T making an application to another lender as it told them the maximum it was willing to lend on 15 October and that decision didn't change, with the final answer from the firm of surveyors (from the area risk assessor) being given on 29 October.

It may be Mr M and Mr T's new lender had similar issues to Cambridge in respect of Mr M and Mr T not meeting the affordability criteria unless they repaid their credit cards, with a note on Cambridge's system on 6 September 2024 saying "Customers plan to take the further advance on/after 1st December 2024. App 1 has confirmed he will repay all the debts before 1st Dec 2024" and the underwriting notes stating that any agreement to lend would be subject to the credit card debts being repaid in full before the mortgage would be granted. I don't know if that was also a barrier with the new lender, and I don't need to know. That's because Cambridge told Mr M and Mr T of the maximum amount it was willing to lend, and why, on 15 October 2024 so it was then up to Mr M and Mr T to apply for a mortgage elsewhere. I simply can't hold Cambridge liable for the time it took Mr M and Mr T to obtain an alternative mortgage after that date.

Cambridge offered to unwind the preferential rate that was put in place on 1 October 2024 so Mr M and Mr T wouldn't incur an ERC when redeeming their mortgage. Mr M and Mr T said that Cambridge should have waived the ERC but allowed them to stay on the preferential rate, but I don't agree. Having the rate but no ERC is never a position Mr M and Mr T could have been in, so it wouldn't be a reasonable position to put them in. Mr M and Mr T's options would have been to be on the SVR until redemption (if they didn't want to incur an ERC) or to be on the preferential rate (but incur the ERC). Having considered everything I'm satisfied that the offer made by Cambridge is more than fair as it was quite within its right to hold Mr M and Mr T to the contract they'd entered into, and I am pleased to see Mr M and Mr T took that offer and later redeemed their mortgage without incurring the ERC.

Finally, Mr M and Mr T have said they want a failure by Cambridge to record a call to be included in this complaint. But we can only consider a complaint that has been made to the business first and it has had a chance to respond to it. If Mr M and Mr T want to complain about the fact one of the calls wasn't recorded then they will need to make a complaint to Cambridge about that.

Whilst I've a great deal of sympathy for the situation Mr M and Mr T found themselves in, there are no grounds for me to make any order or award against Cambridge Building Society.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mr T to accept or reject my decision before 10 November 2025.

Julia Meadows

**Ombudsman**