

The complaint

Mr J and Ms W complain that, although NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY previously agreed to give them a mortgage and then twice to extend their mortgage borrowing, when they asked to increase the borrowing again, NatWest's survey said the property wasn't suitable security.

What happened

Mr J and Ms W took out a mortgage with NatWest in 2017. They have applied successfully twice since then to extend their borrowing, in 2018 and 2023. In 2024, they asked NatWest again to increase its mortgage lending to them, for the purposes of home improvements and debt consolidation. But when NatWest arranged a valuation of their property, the valuer said that the property wasn't suitable for NatWest to lend on, because of the proximity to transport links and commercial property. And NatWest said that meant it wouldn't offer to lend Mr J and Ms W any more money.

Mr J and Ms W said they were shocked at this. NatWest had previously requested two other valuations on the same property, in 2017 and 2023. Both of these had been fine. And the things the valuer objected to now weren't new, they'd been in place when the previous two valuations were done. Mr J and Ms W thought the latest valuation was wrong. They complained, saying they wanted a second opinion, but NatWest wouldn't commission a fresh valuation, and it didn't change its mind.

Mr J and Ms W said that they were treated very badly when they complained. They said NatWest's agents were rude. And, worryingly, NatWest couldn't confirm right away whether their existing lending would be affected. Mr J and Ms W said they'd incurred costs with builders, based on NatWest's initially positive response to their lending request.

Mr J and Ms W said they'd had other valuations from alternative lenders which did find the property was suitable security for lending. So they thought they could secure the extra lending they wanted elsewhere. But they said NatWest also wouldn't waive the Early Repayment Charge ("ERC") on their existing borrowing.

NatWest accepted that its agents hadn't been able to confirm what would happen with Mr J and Ms W's existing mortgage, and gave conflicting information about when NatWest would get in touch with them. It upheld their complaint about this, and offered to send them a gift to say sorry.

But NatWest didn't change its mind about whether it should lend to Mr J and Ms W. Its valuer didn't think the property was suitable security for mortgage purposes, and NatWest said it stood by its valuer's decision. It wouldn't undermine that by seeking an alternative independent valuation, even if Mr J and Ms W offered to pay for that.

NatWest said that didn't affect its existing lending to Mr J and Ms W, but it wouldn't offer any extra lending. And it wouldn't waive the ERC on their mortgage, to allow them to move their borrowing elsewhere.

Our investigator didn't think this complaint should be upheld. He said he understood why Mr J and Ms W would be upset, but he didn't think NatWest had to change its mind. He said NatWest doesn't have the expertise to value property, so it employs the service of a third party. It had a duty to appoint a competent person to carry out the valuation, and it had appointed someone who was a member of the relevant professional body. Our investigator said NatWest was then entitled to rely on the valuation report it received, even though this had reached a different conclusion to that reached previously.

Our investigator said a nil valuation for mortgage purposes doesn't mean the property has no value, just that it doesn't represent suitable security under NatWest's lending criteria. And our investigator said he couldn't fairly and reasonably ask NatWest to waive the ERC because of this.

Mr J and Ms W didn't agree. They stressed that this recent valuation was very different to the previous ones, and said that couldn't be fair. Our investigator said NatWest has to make an assessment each time it's asked for lending, and this time the valuation it requested did say NatWest shouldn't lend on the property. Mr J and Ms W said that a valuation done only twelve months previously, by the same survey firm, had reached a different conclusion. So they thought there was every reason to think that a different valuer may have reached a different conclusion. They wanted their complaint to be considered by an ombudsman, so it 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:

Although I am minded to uphold this complaint in part, I think my decision is still likely to be a disappointment for Mr J and Ms W, because I don't think NatWest has to change its underlying lending decision in this case. But I do think that the handling of this case represents poor service by NatWest, and it should pay £300 in compensation to apologise for that.

I'll explain why I've reached that view.

Firstly, the core of Mr J and Ms W's argument here was that the recent decision of a valuer on their property was just wrong. They pointed to two relatively recent valuations done for NatWest, which did consider their property was mortgageable, and said they were surprised and distressed to find that this most recent valuation was different.

Our service doesn't have power to consider directly the work of surveyors and valuers, so I must focus on the decisions taken by NatWest, not the valuer in this case. As our investigator said, it's not for our service to question the professional judgment of that valuer.

But here, I do think Mr J and Ms W had raised a concern about the valuation which NatWest could have dealt with differently. This is the third valuation provided for NatWest on the same property, and its conclusion stands in stark contrast to the previous two.

NatWest doesn't have a formal valuation challenge process which fits with this situation, and I don't think it had to put that in place for Mr J and Ms W. But I do think that once Mr J and Ms W had pointed out the contrast with their previous valuations, NatWest should

have raised this with its valuer, just in case a mistake had been made. I haven't been able to see that NatWest did that before our service prompted it to do so.

NatWest has, however, now raised this with the valuer, and the valuer has replied to say they're confident the valuation stands. As I've said above, it's not for our service to challenge that professional judgment. And although Mr J and Ms W said they thought the previous valuation had been done by the same company, the valuer has stressed that this firm hasn't been involved in any previous assessment of this property for NatWest.

I know Mr J and Ms W would like a second opinion, but I don't think NatWest has to offer them that option. NatWest has sought the opinion of an appropriately qualified professional. It has now raised the difference between the existing valuation and the previous valuations with that valuer, and they stand by their professional assessment. I'm sorry to have to tell Mr J and Ms W that I don't think it's unfair or unreasonable for NatWest to accept that. And that means NatWest won't increase the available lending to Mr J and Ms W.

Mr J and Ms W have also suggested that the building work this extra lending was going to pay for had already started, because NatWest was initially positive about their lending prospects. But if Mr J and Ms W incurred costs before a formal offer was made, then I don't think that would be NatWest's fault.

NatWest also said it wouldn't waive the ERC which applies to Mr J and Ms W's existing lending. I've seen that an ERC was part of the original offers made to them, and the most recent ERC has not yet expired. An ERC is a common feature of fixed rate lending. It's there to make sure the mortgage company can still cover the costs it incurs in arranging fixed rate borrowing for a customer, if that customer decides to move their lending elsewhere before the fixed term period ends. I don't think NatWest has to waive that, in this instance.

Mr J and Ms W also said they were very upset about how their complaint was handled, and how they were spoken to by NatWest's call handlers during this process. They said NatWest's agents couldn't reassure them about what would happen to their existing lending, after the most recent valuation said their property wasn't mortgageable.

Mr J and Ms W asked us to listen to these calls, and I have repeatedly requested them from NatWest. They have, unfortunately, not been supplied. However, I do think I have enough information to make a finding on this point, so I will do that, rather than continue to delay resolution of this complaint in order to request this yet again.

Importantly, I note that NatWest upheld this part of Mr J and Ms W's complaint. And I also note that the email sent to Mr J and Ms W, breaking the news to them about the problematic valuation, would have been a very upsetting thing to receive. So I think it is more likely than not that NatWest has fallen below acceptable standards of service here, and I have made my provisional decision on appropriate compensation in this case, on that basis.

My provisional decision is that NatWest should pay Mr J and Ms W £300 in compensation. I know that Mr J and Ms W will be disappointed that this decision doesn't go further, but I do think that provides a fair and reasonable outcome in this case.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Only Mr J and Ms W 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.

Mr J replied to say that the amount paid for compensation was applicable, but he said that still left the main issue. Mr J said he thought that this valuer had some sort of link to nearby commercial premises which were one of the reasons why the property was deemed not mortgageable. Mr J said there was no way the valuer was independent.

Mr J repeated that this survey company was the same one which had surveyed this property twelve months earlier, and he said NatWest would confirm that. He said that meant the valuation wasn't independent, and he thought NatWest had to provide an independent survey to complete its service.

Mr J said he didn't think NatWest had carried out its due diligence, and he thought that was within our service's remit. He said he should have been allowed a second valuation, even if he had to pay for it. He said there was such a difference between the current valuation and the previous ones that it simply wasn't comparable. He said that supported his argument that the valuer had an agenda against his house or against him and Ms W.

Mr J said that if the property had been down valued or if any concern was even mentioned on previous valuations he could understand. And he said that if an independent valuation was made he could also accept it. But he said that at the moment, things were being swept under the carpet.

I should start by saying that I have seen both the valuation done in June 2023, and the valuation done in July 2024. I'm satisfied that they were not provided by the same valuer, or by the same firm.

My provisional decision sets out what I think NatWest should have done when it received a valuation saying Mr J and Ms W's property wasn't suitable security for a mortgage. Given the difference between this and the previous surveys, I do think it's fair and reasonable to expect NatWest to have checked the valuer's findings here, in case a mistake had been made. And I have made an award of compensation partly because NatWest didn't do that at the time.

But NatWest has now checked with the valuer, and he's explained that his decision stands. The valuer doesn't fall within the remit of our service, and I can't simply overturn his decision. I have to confine my considerations to what NatWest did. And there, I'm sorry to have to tell Mr J that I don't think that the decision is so clearly wrong that NatWest should simply have rejected it. I don't think NatWest had to investigate the concerns Mr J now expresses about possible links between the valuer and other premises nearby.

In the absence of a simple mistake about the property, which we have now ruled out, I don't think it was unfair or unreasonable for NatWest to have accepted the professional advice that it commissioned about Mr J and Ms W's property, even though that advice was different in this instance than advice NatWest received previously. And that means that my final decision in this case hasn't changed.

I'll now make the decision I originally proposed.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY must pay Mr J and Ms W £300 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Ms W to accept or reject my decision before 21 April 2025.

Esther Absalom-Gough
Ombudsman