

The complaint

Mr and Mrs M complain that when they tried to remortgage with National Westminster Bank Plc, the valuer raised concerns about an annex. Mr and Mrs M said they could show the concerns weren't well founded, but NatWest wouldn't listen to them.

What happened

Whilst this complaint is brought by both Mr and Mrs M, as the mortgage is in both their names, our dealings have been mainly with Mrs M. So I'll mainly refer to her in this decision.

Mrs M said she and Mr M were seeking to remortgage with NatWest, and as part of this their home was valued on 21 October 2024. Mrs M said the valuer concluded the property wasn't mortgageable, because of concerns around the annex attached to the property.

Mrs M was adamant that those concerns were not well founded, and said she could show this to be the case. She sent NatWest a detailed response, based on its published lending criteria. But she said NatWest wouldn't listen, read the documents she'd sent, or help.

NatWest initially replied to Mrs M to say that its valuer was suitably qualified, and had completed their valuation on 21 October. The conclusion then was that the property was not suitable for mortgage purposes as it was noted that the property includes an annex that is not in keeping and could be easily sublet. It was also noted that the annex was over 40% of the main house and is self-contained with the potential for separate access.

NatWest said it had referred Mrs M's initial complaint to its valuer, and the valuer hadn't changed their mind. NatWest said it stood by its valuer's comments. But this letter also recognised that Mrs M had since sent in further objections, and said these had been shared with the valuer.

The valuation was then revised, and the mortgage went ahead. The valuation received was lower than Mr and Mrs M had expected, but Mrs M has stated clearly that they are not seeking to challenge this.

But Mrs M didn't think NatWest had done enough. She said NatWest rejected her evidence on a number of occasions. Mrs M said the events delayed her remortgage by around 18 days, and cost her over £1,000 in interest. She said she'd been terribly worried that she and Mr M would be left with an unmortgageable property based on the incorrect views of a surveyor, which NatWest couldn't even be bothered to sense check. Mrs M said that she'd asked NatWest to look at things again, but it wouldn't, and told her she should pursue the surveyor for these interest costs. Mrs M said she had no legal basis to do that.

Our investigator didn't think this complaint should be upheld. He said Mrs M's concerns had been reviewed by the valuer, and on 31 October an updated valuation report was issued, confirming the property was suitable for lending purposes although at a lower value than Mrs M had hoped for. A mortgage offer was issued on 8 November 2024.

Our investigator said lenders aren't property experts and will usually ask for a valuation of

the security property to assist them in making a lending decision. We'd expect lenders to instruct a suitably qualified person and he was satisfied that NatWest had done that. Our investigator said he didn't think the application was declined unfairly, after the first valuation. He noted that Mrs M had supplied further information, and said NatWest referred this back to its valuer. He thought NatWest did that in a reasonable timeframe. The valuer then amended the report, and the mortgage went ahead. Our investigator didn't think NatWest caused any unnecessary delays in the application.

Mrs M replied to say that our investigator's timeline was incorrect, and a number of post-valuation queries were submitted. She said we hadn't commented on the valuer's assumptions being factually and legally wrong.

Mrs M then wrote again. She said it wasn't as simple as the valuer made a mistake, she submitted evidence and it was overturned. Mrs M said she had lost count of how many times the valuer refused to consider the evidence. And she said that she'd only finally got the decision overturned by contacting the director of the valuation company.

Mrs M said NatWest's lending criteria are clear, annexes were suitable for lending if they cannot be easily sublet. She said there's then a list of characteristics which go toward whether an annex could be sublet. And she'd been able to show that this wasn't the case for her annex.

Mrs M wanted to stress that the valuer's conclusions were provably wrong. She said that a document was submitted on 22 October, a planning order, which confirmed this. Mrs M also said because the valuer refused to look at this, the process was prolonged, leading to huge interest payments. Mrs M didn't think there was anything different between when the valuer refused to change their mind, and did then change their mind, except a structural survey which she didn't think formed part of NatWest's lending criteria.

Mrs M said the matter was unnecessarily prolonged and NatWest could have, and should have done more, but refused at every step of the way. She said if she'd had a direct contract with the valuation firm she would have taken legal action against them, but she couldn't do that. Her only redress is through NatWest. She understood that our service cannot look at the actions of the surveyor, but she still felt badly let down by NatWest, and how it handled the situation.

Mrs M wanted her 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 not propose to uphold it. This is what I said then:

NatWest's internal notes suggest that it received a new mortgage application from Mr and Mrs M on 2 October 2024. Mr and Mrs M appear to have been moving their existing mortgage lending from elsewhere.

NatWest obtained a valuation dated 21 October 2024, which said their property wasn't suitable security for lending. The valuer commented *"The property includes an annexe that is not in keeping and easily sublet because it is over 40% of the size of the main house, self-contained and can be accessed separately from the main house through a garden gate."*

I should pause here to set out NatWest's published criteria for assessing properties with

annexes. NatWest says this –

Properties with an annex may be considered, subject to valuers comments, where it is intended that a family member will reside in the annex, or where this will be used as family staff accommodation e.g. live-in childcare arrangements.

In addition to standard valuation requirements, the valuer will consider the following when assessing the property:

- - *Potential for letting: NatWest can't lend on a property where the annex could be sublet on a permanent or temporary basis.*
 - *Access and service: An annex should normally share its access and services with the main residence. If these are separate the risk of the annex being sublet is increased and may result in the property being declined.*
 - *Size and nature: The annex should be secondary to the main residence. For example, a 6 bedroom house with a 1 bedroom annex could be considered however a 3 bedroom house with a 2 bedroom cottage is likely to be unacceptable.*

Mrs M says that means properties with annexes are suitable security for lending by NatWest, as long as the annex cannot be sublet. However, that doesn't seem to me to fully reflect what NatWest says here. Firstly, NatWest only says it will consider these properties, if it's intended that their use is within NatWest's set criteria. And in assessing the properties, NatWest provides other criteria it will consider. These include aspects directly related to whether an annex could be sub-let, such as separate access or separate services, but also include wider criteria, like whether the annex is secondary to the main residence. And, for the avoidance of doubt, there's no suggestion that this is an exhaustive list of matters that NatWest's valuer will consider.

On 22 October Mrs M rang to lodge a complaint about the valuation, saying that she was prohibited from subletting the annex of the property by conditions attached to the planning permission given for it.

Mrs M has since said she thinks the valuation should have been overturned at this point, just on the basis of the planning permission information that she supplied at this time. I don't think NatWest had to do that. I would expect NatWest to forward this information to its valuer, and I can see it did so.

On 23 October, NatWest forwarded Mrs M's appeal to the valuer. A response, dated 25 Oct, says *"Thank you for the information. Being easily sublet was not the only issue with the annex. It was also not in keeping with the main residence, being over 40% of the size. This is unusual as most annexes are much smaller than the main residence in terms of their size (in percentage terms) and plot."* The valuer's view had not changed at this point.

Considering the criteria that NatWest has provided, and also that these criteria are not themselves an exhaustive list, I don't think NatWest should have refused to accept its valuer's comments at this stage.

Mrs M then followed up her earlier complaint with a letter dated 26 October, which had attached a number of legal documents. Those provided evidence that the annex was prohibited by planning conditions from being sublet, which Mrs M says she had already supplied. But they also showed there was no right of way to allow access to the annex separately to the main property, through the garden gate. Mrs M also said there was no

separate supply of services to the annex, and she queried the valuer's assessment of the percentage of the property which the annex made up.

On 28 October, NatWest sent a further post-valuation query to its valuer. NatWest received an interim response on 29 October, which indicated the previous response was being reviewed. On 30 October, NatWest's internal notes say it was still awaiting a response.

During this time, on 29 October, NatWest sent Mr and Mrs M a final response letter, which said NatWest had sent Mrs M's complaint to its valuer, and their view remained unchanged.

Perhaps, with the benefit of hindsight, it might have been preferable for NatWest not to write to Mrs M to tell her that her appeal had not been upheld, while her fuller objections had not yet been considered, particularly as this letter said *"... your complaint has now been referred to and reviewed by an independent case manager who has confirmed that the outcome provided to your complaint issue is correct and this will not change."*

However, NatWest did set out in the same letter that it had sent Mrs M's second submission to the valuer, and it said *"I have requested for our processing team to forward the most recent information you provided us with to the surveyor and to then contact you once a response has been received."*

Mrs M has told us she also spoke to the firm who had instructed the valuer on NatWest's behalf, and to the firm that the valuer worked for. I understand that Mrs M feels this is the only reason why the valuer changed their mind. But, as Mrs M is aware, I have to confine my comments to what NatWest did here.

So I can see that NatWest referred Mrs M's initial concerns to the valuer. When Mrs M then followed this up with a more detailed, and carefully evidenced, set of arguments seeking to refute the valuer's conclusions, that was also forwarded to the valuer.

In response, NatWest then received a second substantive post-valuation response, dated 31 October. That says *"In response to the following information provided and following further discussion, an amended report has now been signed off ... The amendments comprise providing a present condition value."*

NatWest then decided it was able to lend to Mr and Mrs M. Mrs M said all of this took far too long, and this led to her paying more interest on her existing borrowing. But the valuation was done on 21 October, and Mr and Mrs M had successfully appealed this valuation by 31 October. I think NatWest responded promptly and appropriately to the contact it received from Mrs M, and to the concerns she raised.

I understand that the revised valuation also reassessed the property's worth. The valuer said *"The instructed value is considered to be high and is not supported by evidence of sales of comparable properties in the locality."* Mrs M has stated expressly that she isn't challenging this.

NatWest then needed to reconsider Mr and Mrs M's lending request, on the basis of this new valuation. I think it's reasonable for this revised valuation to have delayed the issue of an offer by some days. But overall, Mr and Mrs M started their new mortgage application on 2 October 2024, and Mrs M has told us she had received an offer by 12 November. Given the concerns which were raised and resolved in this time, I think that is a reasonable timescale. I don't think NatWest has caused unnecessary delays here,

so I don't think it has to pay Mr and Mrs M any of the additional interest they said they had to pay whilst this remortgage was being arranged.

I know that Mr and Mrs M will be disappointed, but I don't think this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Only Mrs M 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.

Mrs M contacted our service a number of times, to set out her concerns about my decision. First she wrote, to say that I was wrong to place so much emphasis on her detailed letter, as she didn't agree that this was what overturned the valuer's view. Mrs M said the valuer rejected that evidence and upheld their decision. And she said NatWest didn't launch any investigation of the survey, although she'd asked it to.

Mrs M then rang our service, to say the detailed letter she had sent was rejected more than once, before the valuer changed their mind. She was concerned that we hadn't received some evidence.

Mrs M then wrote again, to say that either NatWest had lied to her at the time, or our service didn't have all the detail of what happened. She said her information had been rejected so many times she'd lost count. And she said NatWest had lost a record of some other recent interactions, so she thought NatWest just hadn't given us the full picture.

Mrs M then wrote a third time, to say she wanted me to ask NatWest specifically how many valuation queries it submitted, their dates, and the responses received. She said either NatWest didn't submit as many of these as it said, or information was missing from our files. She said each time she submitted new information to NatWest she felt sure that someone would realise there had been an error, but the information was constantly rejected. Or at least that was what she was told at the time.

Mrs M also said the valuer had been clear that the concern was the annex could be sublet. She repeated her view that having shown this was prohibited by planning conditions should have been enough to prove that it could not be sublet.

Mrs M also said, separately to this, she'd challenged the valuer's conclusion that the annex was over 40% of the footprint. She said she'd spoken to the body which had instructed the valuation for NatWest, and that business said NatWest should request an investigation. But Mrs M said although she had asked for this repeatedly, it didn't happen and still hasn't. She said NatWest did not even try to look into it, and she wanted me to ask it why.

Mrs M also said I hadn't commented on the requests for the structural report which she didn't think were part of NatWest's lending criteria.

Mrs M then wrote a fourth time, to say that where I had placed great reliance on her further information, she would like to know what it was about her further letter that I felt changed the response

Mrs M went on to say the valuer had been clear that they felt the annex could be sublet. She said they mentioned the separate access just to reinforce that point, but she said that was no

more than a red herring, the valuer's concern was subletting which the planning order proved was not possible. Mrs M said again that this should have been enough, no further arguments over access were needed.

Mrs M also said the size of the annex was also in question. Mrs M said NatWest could have raised that with the body which had instructed the valuation for NatWest, and she felt again that this should have been done. Mrs M said if the valuer's original comments about the size of the property and the annex were accurate, then she hadn't submitted any measured survey, or changed the annex, but she said this must have been overturned too, otherwise she would not have been approved for her mortgage. Mrs M said that alone was evidence enough of a mistake, which could have been made less stressful by NatWest raising an investigation when it was asked to do so.

Mrs M said although I had said I could only take into account what NatWest did, NatWest hadn't raised a complaint on their behalf with the body which had instructed the valuation for NatWest. And it made no real effort to hold the valuation firm to account for what was a clear error. Mrs M said there could be no dispute about this, the valuation firm's director had overturned the decision, so the valuer's initial finding was wrong.

I understand that Mrs M feels very strongly indeed about what happened here, and would like me to investigate this in much more detail. However, there are two issues with that. The first is that our service provides an informal alternative to the courts, and we therefore won't always investigate at the forensic level that Mrs M would prefer. And the second is that I remain of the view that I am only able to consider the actions of NatWest. Mrs M's complaint, is, at its core, that the valuer got things wrong. Our service can't challenge the valuer's conclusion directly.

My provisional decision set out that I don't think the sole issue here was whether the annex could be sublet. I still think that. I should also say that, for the avoidance of doubt, I don't think it would have been unreasonable for NatWest to be concerned about whether it would be practically possible to sublet the annex, as well as whether Mr and Mrs M would be able to do so lawfully.

I cannot make a finding here that the valuer ought to have changed their mind when shown details of the planning permission. That is outside of the scope of what I can consider. But I can make a finding about how NatWest reacted to this evidence. My provisional decision sets out that NatWest shared this evidence with the valuer, then accepted their conclusion at the time, that this didn't change things. I don't think NatWest was wrong to accept the valuer's findings then, which were that concerns remained.

I do think there was some overlap between Mrs M then putting in a second objection to the valuation, in the form of a detailed letter she wrote dated 26 October, and NatWest issuing its written reply to Mrs M's first objection to the valuation dated 29 October. I set out why I thought that letter from NatWest could have given Mrs M the impression that the matter was closed, but also that a careful reading of the letter would have shown it was not closed, NatWest said there that it was already considering her second objection. That objection was referred to the valuer, and it resulted in a change of outcome.

Mrs M has also taken issue with the provisions around the size of the annex, but again, I don't think these were the black and white issue that Mrs M suggests. I don't think NatWest has suggested that an annex which is over 40% of the property will always be ruled out for lending, and anything under this, by however small a margin, will always be suitable for lending. Rather, NatWest relies on the expertise of the professional it has engaged. And at this point, that professional changed his mind.

Mrs M wanted me to explain what it was in this second, more detailed letter which I thought changed the valuer's mind. But again, it's not for me to try to unpick the decisions of the valuer. I can only look at what NatWest did. And on this second letter, it again referred the concerns to its valuer. When that valuer revised their opinion, NatWest accepted that revised conclusion. Again, I don't think this was unfair or unreasonable.

So I'm not able to speculate on why the valuer changed their mind. And, importantly, I don't think we need to know that to resolve a complaint about NatWest. Stepping back a little from this case, I can see NatWest got one objection to the valuation, in the form of planning permission. It asked its valuer what they thought of that, and they didn't change their mind. NatWest then got a second, more detailed objection, referred this too to its valuer, and the valuer did then reach a different conclusion.

This happened between 22 and 31 October, a period of only eight working days. I haven't seen anything to suggest that there were the very large numbers of referrals to the valuer about this issue that Mrs M now suggests, and given that the valuer took a little time to turn around each referral, that doesn't seem likely here. I think NatWest dealt reasonably, and promptly, with Mrs M's concerns. I don't think that there are other steps NatWest ought to have taken here, such as additional referrals to the valuer or launching an investigation, which it did not take.

Mrs M said she was then asked by the valuer to provide a structural survey, and she says this wasn't in line with NatWest's lending criteria. I've seen that NatWest's online criteria do suggest it may ask for a structural engineer's report for some types of steel framed properties. And even if that wasn't the case here, I don't think that NatWest would be precluded from asking for further information, if its valuer said this should be requested for a particular property. I note that Mr and Mrs M said they already had a structural engineer's report from when they purchased their home, which was accepted, so it doesn't seem likely that this request caused any significant delays or cost Mr and Mrs M any more.

Overall, I understand it must have been very stressful indeed for Mr and Mrs M to think their lending request might be refused, but I remain of the view that NatWest acted reasonably here. I don't think it would be fair and reasonable for a complaint about NatWest's actions here, to be upheld.

I know that Mrs M will be disappointed, but I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 30 April 2025.

Esther Absalom-Gough

Ombudsman