

The complaint

The director of AW, a limited company, has complained about Aldermore Bank Plc declining an application for further borrowing. AW's director thinks the valuation was wrong and so Aldermore made the wrong decision, which forced a re-mortgage of the property with associated costs.

In settlement of the complaint AW would like Aldermore to reimburse it these costs, including the early repayment charge it applied when the mortgage was repaid. It also wants compensation for the upset and stress the situation caused the director.

What happened

In early 2024 AW took out a buy-to-let (BTL) mortgage with Aldermore. It borrowed just over £140,000, including fees, over a term of 25 years on an interest-only basis. A five-year fixed interest rate product was attached to the mortgage, which had an early repayment charge (ERC) associated with it in the event the mortgage was repaid before the product expired. Examples of the ERC were set out in the illustration that formed part of the mortgage offer.

The valuation completed in October 2023, before Aldermore accepted the application, stated that the property was a three-bedroom semi-detached house with an annex, which was valued at £175,000. It was documented that the property required renovation and repair, including refurbishment of the fabric, fittings and services. The surveyor stated *'The property is in poor condition and this has been reflected in the valuation.'*

AW's director says that once the mortgage completed, he discovered that the property was in a poor condition and was *'unlettable and unliveable'*. As such, further funds were needed to complete renovations. As Aldermore's policy was not to provide further lending within six months of the initial advance, AW's director has told us that he and his partner borrowed around £100,000 from various sources to complete the necessary renovations.

In August 2024 AW applied for a re-mortgage to increase the borrowing to around £236,000 (including fees) over a term of 25 years on an interest-only basis. The director explained to Aldermore that there had been significant renovations needed to the property when he took possession of it, and he'd had to borrow to complete the works. He now wanted to consolidate the costs onto the mortgage. AW's director said that he believed the property to be worth £320,000, based on an estate agent's assessment.

Aldermore commissioned a valuation of the property and requested various pieces of information about the property, tenancy arrangements, rent and the director's income to satisfy itself that the increased borrowing was affordable.

The valuation came back at the beginning of September 2024 confirming that the property, including the annexe, had six-bedrooms with two kitchens. The report confirmed that the property had been reconfigured internally and that included the removal of internal load bearing walls. The surveyor went on to say that the property was *'outside policy as there is no suitable demand for owner occupation.'* It expanded on this by saying that the property

was *'on a public sector housing estate. The configuration of the property is such that it lends itself to use as an investment property only and there would be a lack of sustainable owner occupier demand.'* Aldermore subsequently confirmed to AW that it would not be able to increase the lending on the property.

AW questioned this, as the previous valuation had not raised concerns about the property. Aldermore said that it relied on the most recent valuation, and this had said the property was not suitable to provide further lending on.

AW sourced a new mortgage with another lender, and a valuation was completed. AW has provided a copy of it, and it valued the property at £274,000. The Aldermore mortgage was redeemed in late 2024. Aldermore applied an ERC of slightly over £6,000.

AW complained about the decision not to lend. Aldermore responded to the complaint in a letter of 23 September 2024. It stated that the application for further borrowing fell outside of its policy at the time it was made. It also confirmed that it always used the most recent valuation when making lending decisions, and so it was not able to change its decision. Aldermore apologised for not having provided a response to AW's director's request for the ERC to be reduced, as it had promised. It provided the response, which was that it would not waive or reduce the ERC. However, it paid AW £50 for any inconvenience the delay in responding caused it.

The director of AW was not satisfied with Aldermore's response and referred the complaint to this Service.

Aldermore confirmed that when the original mortgage was applied for the property had not been altered, other than the annexe having been built, and so could have been sold as an investment property or to an owner occupier. However, when the second valuation was completed, the alterations made meant that it was only considered suitable as an investment property. Aldermore also explained that the nil valuation did not mean that the property didn't have a value, but rather it no longer had a value to Aldermore because it was outside of its policy – that it had to be saleable on both the investor and occupier markets.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld.

The director of AW did not accept the Investigator's conclusions and said the first valuation had been incorrect. He provided a link to the estate agent's advertisement for the property from the time of his purchase. This detailed the property as having five bedrooms. The floor plans show there to be three bedrooms in the house and two bedrooms in the annexe – one on the ground floor and one on the first, with no living space. As such, AW said the first valuation was wrong to describe the property as three bedrooms. In addition, AW repeated that the second valuation was wrong to have described the property as having no value, as that done for another lender gave a value. AW repeated that the lending decision was wrong and so Aldermore should pay the costs and losses it and the director had incurred. AW asked that the complaint be referred to an Ombudsman to be reviewed.

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 would initially explain that a lender is not a property expert, which means that when they need to know whether a property is suitable security for the lending that has been requested,

it will appoint an independent expert to assess the property. When doing so the lender is required to appoint a suitably qualified individual – this will usually be a member of the Royal Institute of Chartered Surveyors (RICS). When it does this, a lender is entitled to rely on any report the expert produces. In this case, Aldermore appointed a RICS surveyor on both occasions it wanted the property valued. As such, I am satisfied that it did what I would have expected it to do and was entitled to rely on the opinions provided.

AW has said that it considers the fact that the surveyor that completed the second survey had a conflict of interest, as he had valued the property for another lender before. The fact that the surveyor might have valued a property previously for a different lender would not mean that there was a conflict of interest. A conflict of interest is where there are two parties involved in a situation where the parties aims or interests are in conflict. The valuation was being completed for Aldermore and I can see no reason that the surveyor's aims or interests would be in conflict with those of Aldermore – it was simply completing a task it was being paid for.

I note that AW is unhappy with the content of the two valuations. As the Investigator explained, the surveyors that produced the reports do not fall within our remit, so we can't consider whether the surveyors' findings were accurate or not. That said, if there was something obvious that would have raised doubts about the reports, or the potential borrower was unhappy with it, we can consider how Aldermore dealt with that situation.

At the core of this complaint is that Aldermore didn't agree to increase the mortgage on AW's property. AW considers this decision was wrong, given that Aldermore had lent initially. I have considered the information that Aldermore had at the time of each of the lending decisions.

I have noted AW's comment that the initial valuation was wrong as it described the property as a three-bedroom house, whereas the estate agent's particulars described it as a five-bedroom house. The valuation described the property as a three-bedroom house *plus* an annexe. Given the floor plan that the estate agent provided, I don't consider there was anything in this description that should have caused Aldermore to have concerns about the valuation. I also note the later valuation described the property as a six-bedroom property, that was the description *including* the annexe, so again, I don't think anything in that description should have caused Aldermore to think there was an issue with either of the reports.

Each lender will have its own appetite for risk, and this will determine what types of mortgages it offers, to what customers and on what properties – these decisions will form the lending criteria and policies. There is nothing wrong with this and it provides for diversity and competition within the mortgage market. We would not look to interfere with a lender's criteria for lending. Furthermore, the fact that one lender will offer a mortgage to a potential borrower when another will not, does not mean that the second lender has done anything wrong.

I have detailed the pertinent parts of the second survey above. Aldermore has also provided evidence that it requires properties it lends on to be saleable in both the investment and residential markets. The second valuation concluded that the changes AW had made to the layout of the property meant that it would no longer appeal to residential purchasers. As such, the property no longer fitted with Aldermore's policy for the type of properties it was willing to lend on. This meant that the surveyor placed a nil value on the property. That did not mean that the property didn't have a value within the property market, but rather that it didn't have a value in relation to Aldermore's lending policy because it didn't comply with it.

While I understand AW's disappointment that Aldermore would not agree further borrowing, as I have said above, Aldermore was entitled to accept and rely on the valuation report. I don't consider Aldermore did anything wrong in doing so and in declining the application due to the property no longer being acceptable security for it.

AW has complained that Aldermore would not question the valuation, nor would it commission another valuation (at AW's cost). I have considered this issue carefully. We would expect a lender to consider any concerns a customer has about a valuation, but we would not generally expect it to commission a new valuation, irrespective of who paid for it. If the lender considered the concerns raised, and thought that the concerns might cause a change to the valuation, it would be normal for the lender to raise those concerns with the surveyor. However, in this case, the concern was about an opinion about the marketability of the property. I have read AW's comments in this regard and I am not persuaded they would have had a material impact on the conclusions of the surveyor. As such, I don't consider, in this case, Aldermore was wrong in not prolonging the situation by forwarding AW's comments to the surveyor simply for it to say that they did not affect the valuation.

AW is unhappy that the ERC was charged, given that it considered it had no other option than to re-mortgage the property because of Aldermore's rejection of its application. Aldermore has paid AW £50 for the delay in confirming that it would not reduce or waive the ERC, which I think is proportionate in the circumstances. However, the ERC was clearly documented in the mortgage offer that was given to AW before the mortgage was advanced. AW accepted that offer and the ERC that was associated with it, even if it thought, at the time, it was unlikely it would have to incur the ERC. The simple fact is that the mortgage was repaid early and Aldermore was entitled to apply the ERC under the terms and conditions. As I have not found that Aldermore did anything wrong in declining the application for further borrowing, I also can't find that it was wrong to apply the ERC.

In light of my findings, I can't find that Aldermore needs to refund the ERC or the product fee. Nor does it need to reimburse any other costs AW incurred when it re-mortgaged to the new lender.

The director of AW has asked that he be compensated for the stress he experienced during this process. I would firstly reiterate the Investigator's explanation that as the mortgage and the complaint has been raised by AW as a limited company, we can't make an award for upset or stress, as a limited company cannot experience those emotions. In addition, even where we can award compensation for the upset a consumer suffers, we could only do so where the financial business did something wrong and that caused additional upset or stress. As such, it would not be appropriate for me to make an award of compensation for the stress the director experienced.

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 AW to accept or reject my decision before 18 August 2025.

Derry Baxter
Ombudsman