

The complaint

Mr T and Miss T complain that The Mortgage Works (UK) Plc (“TMW”) unfairly refused to provide them with a mortgage. They said the decision was only reached because of a bed left in a room not intended for use as a bedroom. They wanted TMW to pay compensation.

What happened

Mr T said he and Miss T applied to TMW for a Buy To Let (“BTL”) mortgage, to buy a property they intended to rent out. But when the valuation was done, the mortgage was refused because TMW said the property could potentially have more than four people sharing it.

Mr T thought this only happened because when the property was valued, a reception room had a bed left in it. He said it was ridiculous to decide on the usage of a room, based on furniture which wasn’t fixed, but had been left there. He said he had no intention of using that reception room as anything other than a reception room, and he offered to put a clause in the mortgage to say it could only be used in this way, but TMW wouldn’t accept that.

Mr T said he and Miss T are experienced landlords. They own several BTL properties, which are all on ordinary Assured Shorthold Tenancies. They do not own any properties which are classed as Homes in Multiple Occupation (“HMOs”) and they don’t want to be involved in renting out HMOs. They would need a licence to rent out this property if it had more than four people sharing it, and Mr T stressed he doesn’t have or want such business.

Mr T said if he’d known that TMW wouldn’t lend based just on the furniture left in a room, then he wouldn’t have applied there, or he would have ensured that the room didn’t have inappropriate furnishings before the valuation was done.

Mr T said TMW’s decision delayed his purchase and he had lost the cost of the valuation, which TMW wouldn’t return. Mr T wanted TMW to explain itself, return his valuation fee and pay him compensation for lost rent as well as the inconvenience. But he said TMW hadn’t even replied promptly to his complaint. He wanted us to look into things.

TMW said it was sorry that it hadn’t logged Mr Ts complaint when it was first made. It said that was a mistake, and it would like to pay £100 to apologise for that.

But TMW didn’t think it had made a mistake over its lending decision. It said it had refused to lend on this property because it was suitable for more than four sharers. And TMW said its decision wasn’t reached because of furniture in the property, it was because of the layout of the property, which had been developed to provide four bedrooms and two reception rooms.

TMW sent our service its criteria for deciding if a property is an HMO

We consider the following types of property as a HMO

- *A property occupied by five or more people*

- *A property with five to seven lettable rooms in an area commensurate with multi letting*

And it said here, there was the potential for one of the reception rooms to be used as a fifth bedroom, so the problem was a concern about potential future HMO usage.

Our investigator didn't think this complaint should be upheld. He said TMW had confirmed the property didn't meet its lending criteria and that this had nothing to do with the furniture. The problem was the property could potentially be used as a HMO. TMW had apologised for not logging Mr T and Miss T's complaint sooner, and offered £100 in compensation for that.

Our investigator said TMW had applied its criteria fairly here. And he said TMW had made clear in the mortgage illustration that the valuation fee wasn't refundable. So he didn't think TMW had to pay this back.

Our investigator said Mr T and Miss T were also unhappy that TMW hadn't responded to their complaint when it was first made. He explained that the way a business deals with a complaint isn't something we are able to look into. So he said he'd leave it to Mr T and Miss T to decide if they wished to accept the £100 TMW offered.

Our investigator said he didn't think TMW had made an error here, so he wouldn't ask it to do any more.

Mr T replied to disagree. He said instead of refusing lending altogether, TMW could have put restrictions on the mortgage. His mortgage broker asked for this, but TMW said no. And he said TMW lied about not having logged the complaint, because his broker had been able to discuss it with TMW.

Mr T said he would never have made this application if it was clear from the start that TMW wouldn't lend on four bedroom properties with more than one reception room. And he still thought it was unfair if people were paying for valuations on applications that were never going to be accepted. He said the property couldn't legally be made into a HMO, so TMW shouldn't have accepted that it could be. He said that if TMW thought he was going to do this, it was implying he might commit a criminal offence.

Because no agreement was reached, this case was passed to me for a final decision.

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've reached the same overall conclusion on this complaint as our investigator.

TMW publishes its definition of an HMO on its website for brokers. I understand that Mr T and Miss T's broker may not have checked this part of the website, because Mr T and Miss T weren't applying for HMO lending, they were applying for an ordinary BTL mortgage. They have been clear that they had no intentions of allowing the property to be used by five people sharing. But I do think that TMW's criteria for assessing a property, including when it might consider something to be an HMO, were available to Mr T and Miss T's broker before this application was made.

TMW did instruct an external valuer, and I can see the valuer was concerned that *"The property has been structurally altered to create a fourth bedroom and has the potential for*

more than four sharers and therefore not suitable as the per the lenders policy.” Mr T has repeatedly said this only happened because the seller had left a bed in one of the two downstairs reception rooms. But TMW says that isn’t the reason for its objection.

Although lenders do sometimes rely on the professional judgment of external valuers, it appears to me that the decisions about lending which were relevant in this case, were taken by TMW itself. So our service is able to look at those decisions. But that doesn’t mean that the decision TMW took here was unreasonable or unfair.

It looks as if here, TMW checked itself that the valuer was right about the internal layout of the property. And when it could see that there were four bedrooms and two reception rooms, TMW itself said that did lead to the potential for more than four sharers. So TMW treats this sort of property as an HMO. I think TMW’s reasons for refusing lending are as it has always said - it was concerned about the potential for more than four people to share the property.

I understand Mr T had no intention of letting the property to more than four sharers. And I realise it can be frustrating, as a scrupulous landlord, to be caught by rules which are designed to avoid problems caused by less scrupulous landlords, agents, or indeed, perhaps even by less scrupulous tenants.

So I should stress that I don’t think what TMW said, means it had reached some sort of decision that Mr T and Miss T were likely to let this, or indeed any other, property unlawfully in the future. I just think it means TMW could see a risk of this particular property ending up, for whatever reason, with more than four people living in it. And the lending Mr T and Miss T were applying for, is not something that TMW offers on properties that might end up with more than four people living in them. It has a different sort of lending it reserves for properties like this. I don’t think that’s an unreasonable or unfair decision for TMW to have taken.

I understand Mr T thought the risk of this could be managed by a condition of the mortgage to make sure the property wasn’t rented out to more than four people. He asked his broker to suggest this was made a condition of the lending, but I don’t think TMW had to accept that offer. It’s not unfair or unreasonable for TMW to stick to its published policy.

I don’t think TMW’s lending decision here was unfair or unreasonable, so I don’t think TMW has to do anything to make up for the decision it reached. I know that this refusal meant Mr T had to pay another valuation fee elsewhere, but I think TMW was clear in its mortgage offer that the valuation fee Mr T later paid to it wouldn’t be refundable.

Mr T and Miss T were also very unhappy that TMW didn’t respond promptly to their complaint. As our investigator explained, our service isn’t able to look at complaint handling by a business, separately to the remaining issues raised. So I don’t think it would be appropriate for me to comment on that here. Like our investigator, I think it’s for Mr T and Miss T to decide if they want to accept the payment of £100 that TMW offered for that.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr T and Miss T to accept or reject my decision before 18 June 2025.

Esther Absalom-Gough
Ombudsman