

The complaint

Ms M complains about errors with the valuation instructed by HSBC UK Bank Plc when she took out a mortgage to buy a property.

Ms M asks for a regulatory review into HSBC's handling of her complaint, a determination that her mortgage is null and void due to the valuation errors and misrepresentation, and compensation for financial loss including mortgage payments, council tax and rent. Ms M says HSBC should pursue the valuer's indemnity insurance to recover her loss. Ms M also asks for help tracing the purchase funds.

What happened

Ms M applied to HSBC for a mortgage in mid-2023, via a broker. HSBC instructed a valuation of the property. The valuation report didn't suggest there was any problem with the property being suitable security for the mortgage. HSBC offered a mortgage to Ms M.

The purchase completed in December 2024. Ms M says she had to move out of the property within a week. She says it's uninhabitable and the sale was fraudulent. She says it will cost about £60,000 to £80,000 to make the property safe. Ms M would like HSBC to help trace the purchase funds.

Ms M says there are errors in the valuation report, such as saying there's a garage and parking, which isn't the case, but not mentioning an outbuilding. She says the valuer misdescribed the layout (as there are two bathrooms, not one) and said the property wasn't for sale, when it was. Ms M says the mortgage was mis-sold and is invalid.

Ms M has to pay for rented accommodation as well as pay the mortgage, council tax and insurance for the property, which is a financial burden. She says HSBC failed to respond substantively to her complaint.

HSBC said it was for the broker to discuss the different options for a property survey with Ms M. It said its valuation was for mortgage purposes only. HSBC said it raised the discrepancies noted by Ms M with the valuer, who said no changes to the valuation were required. It said Ms M appointed her own solicitors regarding the purchase and she would have to ask them where they transferred the funds.

Our investigator said HSBC was entitled to rely on the valuation when it offered to lend. He said HSBC transferred funds to Ms M's solicitor and wouldn't know where the solicitors then transferred the funds after that.

Ms M didn't agree. She said HSBC failed in its duty of care when it relied on the inadequate desk top valuation method. She pointed out the errors in the report.

Ms M said the court had accepted her case for misrepresentation of sale regarding the marketing and sale of the property (this action is not against HSBC or its valuer). Ms M said she continued to meet all financial obligations regarding the property, despite the distress and financial burden involved.

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.

The property Ms M bought has significant problems and it has become a financial burden. Ms M is in a difficult and distressing situation, and I can understand that she wants this put right. I can't fairly require HSBC to compensate Ms M or put matters right unless I think it made an error and it's that error that resulted in Ms M being in this position.

Was it reasonable for HSBC to rely on the valuation?

Mortgages are loans secured by a charge (the mortgage) on a property. Ultimately, if the loan isn't repaid, the lender can recover the debt from the proceeds of the sale of the property. Before offering a mortgage, the lender has to assess whether the property is suitable security for the loan. As lenders don't have the expertise to value property they instruct a third party with the relevant expertise to do this on their behalf. The valuation is for the benefit of the lender, to assist it to make a lending decision.

HSBC instructed a firm of surveyors, so I think they were suitably qualified to value the property.

The valuation was carried out in mid-2023 as a desk top valuation. The valuer didn't visit the property or carry out a physical inspection. This isn't unusual and there's no requirement that a lender instructs a physical valuation. HSBC says there was nothing to suggest a physical inspection was needed here.

I've read the information provided in the application submitted by the broker and in the valuation report. The application says the building construction was "brick/stone (conventional)". The valuation report says the property was of standard construction. The valuation report didn't suggest there were problems with the property that required further investigation. I can't see that HSBC should reasonably have been alerted to possible problems with the property that should have prompted it to instruct a physical valuation or decline to lend.

While Ms M says there are errors in the report I don't think HSBC would have known this – it wouldn't have known if there was a garage or outbuilding or the number of bathrooms. And it's unlikely HSBC would have been concerned if it had known. What mattered to HSBC was whether the property would be suitable security for the loan. Ms M says the property is uninhabitable due to structural problems. I'm not persuaded that the errors she mentions would cause the property to be uninhabitable or unsafe.

When Ms M raised her complaint, HSBC asked the valuer about the discrepancies and errors in the report. The valuer said no amendment to the valuation was required.

Generally, lenders are entitled to rely on the expert opinion of the valuer. That's unless there's an obvious error that would make it unreasonable to do so. I don't think that was the case here. There was nothing to alert HSBC to a problem with the property that could impact significantly the valuation of the property, or require a physical inspection of the property.

I think HSBC was entitled to rely on the valuer's expert opinion when making a lending decision and I don't think it was unfair or made an error when it did so.

I can't fairly require HSBC to make a claim against the valuer or its insurers, or require it to inform Ms M if it did. That's a matter for HSBC to decide.

Should HSBC have made Ms M aware she could instruct a survey of the property?

Ms M found the property and applied for a mortgage. The broker asked HSBC for a standard valuation.

HSBC has information on its website about valuations. But it was the broker's responsibility to discuss with Ms M her options for a survey. And to tell her that the valuation instructed by HSBC was only for the benefit of HSBC, to help it make a lending decision.

The valuation report contains the following warnings:

The sole purpose of this valuation report is to enable the bank to assess the security offered by the property for the proposed loan. This report is not a homebuyers report, building or structural survey and must not be relied upon to identify any defects which may be present in the property...

If you are proposing to purchase the property and you wish to be satisfied as to the condition of it, you must have a surveyors detailed inspection and report of your own...

I don't know if Ms M received a copy of the valuation report during the application process, but if she did she ought reasonably to have been aware of its limitations and that she couldn't rely on it as to the condition of the property. The mortgage application was submitted in mid-2023 and the purchase completed in December 2024. Ms M would have had time to arrange a structural survey.

I don't think HSBC misled Ms M about the extent or purpose of the valuation or that she could rely on it as assurance there were no problems with the property.

Role of solicitors

Ms M's broker contacted HSBC to say Ms M wanted to change solicitors to a firm that wasn't on HSBC's panel. The application was changed to separate representation (that is, separate firms of solicitors represented Ms M and HSBC).

HSBC sent the loan funds to Ms M's solicitor. Ms M will have to contact her solicitors for information about what then happened to the funds. I can't fairly find that HSBC is responsible if there are any questions about the solicitors appointed by Ms M or the work they carried out.

Is the mortgage null and void?

When Ms M took out the mortgage she agreed to the terms and conditions – including that she would repay the loan. The loan is secured by a charge on Ms M's property. That doesn't mean that a problem with the property or its value would somehow invalidate the mortgage contract.

As I've said, I don't think HSBC made an error when it instructed and relied on the valuation, or that it misled Ms M about the extent or purpose of the valuation or that she could rely on it as assurance there were no problems with the property.

Ultimately it's for a court to decide whether a contract is valid and enforceable. Based on the available evidence, I don't think HSBC made an error that makes it unfair for it to expect Ms M to repay the mortgage loan in accordance with the mortgage terms and conditions.

HSBC's response to Ms M's complaint

Complaint handling isn't a regulated activity, which means we can't necessarily look into it. We can do so in some circumstances – for instance if the way a bank dealt with a complaint prevented or delayed the underlying problem being sorted out. I don't think that was the case here.

Ms M raised a complaint in late November 2024 and HSBC sent its final response in early December 2024. HSBC didn't uphold the complaint or agree to Ms M's requests – such as to write off the mortgage loan – but that's not the same as it failing to respond to her complaint.

What happens now?

This decision is the end of our process. Ms M will be disappointed, and she will still need to find a way to sort out the problems with the property. Ms M says she's suffering exceptional hardship. I can't fairly ask HSBC to write off the loan or pay compensation to Ms M: the situation she's in didn't result from an error by HSBC. But I would urge Ms M to remain in contact with HSBC if she is suffering financial hardship, to discuss what support it might be able to offer while she looks into her options regarding the property.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 22 September 2025.

Ruth Stevenson
Ombudsman