

The complaint

Mr G complains about how Ecology Building Society has dealt with his mortgage. He says it undervalued his property, it didn't make clear that it wouldn't release some of the retained mortgage money, it declined his request for a payment holiday unfairly, and its communication has been poor.

What happened

In January 2022 Mr G took out a self-build mortgage with Ecology to develop a property. The mortgage was for £500,000 on a capital and interest repayment basis and was to be released in tranches as the project progressed. The mortgage was for less than Mr G had wanted to borrow, but he nevertheless decided to go ahead with it.

Mr G initially drew down £120,000 on completion of the mortgage in January 2022 and made further drawdowns over the following years, with a final drawdown of £81,000 in April 2024. Following the last drawdown, just under £40,000 of the original £500,000 remained retained by Ecology. In October 2024 Mr G asked for this to be released so he could finish the work on the property. Shortly after that he also asked for a payment holiday on the mortgage.

Ecology instructed a valuation. But it then declined Mr G's requests for both the final drawdown and for a payment holiday. It said it wouldn't release any more money from the mortgage because the retention was only available for drawdown for 24 months from the mortgage completion date, which had been in January 2022, and Mr G wasn't eligible for a payment holiday because of recent mortgage arrears. It said it hadn't charged Mr G a revaluation fee in the circumstances.

Mr G made a complaint. He said Ecology should have told him sooner that it wouldn't allow the final drawdown, instead of instructing a valuation and leading him to believe he would receive the money. He said he had continued with work on the property on the understanding that the money would be released and he had been left with creditors to pay. He pointed out that Ecology had released a tranche of money in April 2024, more than 24 months after the first drawdown. He also said he was unhappy about a lack of communication from Ecology about the mortgage, including about the changing balance and monthly payments, and later added that he was unhappy with the initial property valuation because it meant he couldn't borrow as much as he had wanted.

Ecology didn't uphold the complaint, so Mr G referred it to the Financial Ombudsman Service. Our Investigator concluded that the terms of the mortgage said the retention could only be claimed up to 24 months after the mortgage completed, Ecology had considered Mr G's request for a payment holiday fairly, it had written to him each time a retention was drawn down, and it was entitled to rely on the valuation reports it received.

Mr G didn't accept that and asked for an Ombudsman's review. He said Ecology didn't tell him when it removed the retention and didn't make clear in the mortgage offer that the retention was only available for two years. As a result, he said he had proceeded with work on the property but had been unable to finish it and is now in financial difficulty. He also said Ecology was wrongly reporting mortgage arrears on his credit file and stopping him from

remortgaging to another lender.

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.

Having done so, while I'm sorry that Mr G has been left in a difficult position having been unable to finish work on the property, I won't be upholding this complaint.

First of all, Mr G says the initial valuation of the property was too low, and this affected both how much he could borrow and the payment basis of the borrowing. He wanted to borrow more than £500,000 on an interest-only basis.

Ecology instructed a firm of qualified surveyors, regulated by the Royal Institution of Chartered Surveyors (RICS), to carry out a valuation of the property Mr G was developing. It was reasonable in doing that and in relying on their opinion when deciding whether to lend Mr G a mortgage and if so on what terms. Its records say that it considered Mr G's valuation appeal at the time but decided not to instruct a revaluation in the light of the level of detail the valuer had provided in their report. I don't think that was unreasonable, and it was Mr G's decision to accept the mortgage terms, including the amount and the payment basis, which Ecology then offered him.

The November 2021 mortgage offer set out how the retention and stage payments would work. It said:

"Special Conditions

[...]

4. Subject to a retention of £380,000 to be released in stage payments up to 80% of increased valuations as the work progresses.

While the retention is held, the monthly payments shown in this Offer Document will be reduced and we will tell you the amount you actually need to pay when we write to you at the start of your mortgage

5. Release of the retention may only be claimed up to a maximum of 24 months after the advance has been made. If not claimed within this period, an application for a further advance will be required.

[...]

9. Subject to the proposed (works or build) being completed within 24 months of the mortgage advance being made."

I'm satisfied that the conditions were clear about the time limit within which the retained money could be claimed: 24 months. I don't think Ecology was unreasonable in putting in place that limit given that Mr G said in his mortgage application that he expected to complete the project in under 12 months.

Ecology did allow a payment to be released in April 2024, which was more than 24 months after the mortgage completed. I don't however think that this set a precedent or guaranteed that Mr G would be able to continue making drawdowns. I think Ecology made a mistake in instructing a revaluation in October 2024 when it should have known that it wouldn't be

prepared to release any more money. But it told Mr G shortly afterwards that it wouldn't permit the final drawdown and it didn't charge him a revaluation fee.

In the circumstances I think it would be difficult fairly to conclude that Mr G has lost out as a result of this mistake, having been under the misapprehension for only a short time that he may be able to draw down the final tranche of the retention. Drawdowns were in any event subject to the outcome of each revaluation.

Mr G also asked for a payment holiday, which are allowed under the terms of the mortgage. They are however subject to prior arrangement, as set out in the mortgage terms. I've seen Ecology's eligibility criteria for payment holidays, and they include that the mortgage mustn't have been in recent arrears. Mr G's mortgage was unfortunately in arrears at the time of his request in late 2024. The May 2024 payment had been missed and not made up.

A payment holiday would have resulted in the monthly mortgage payments increasing at the end of the holiday, so I can see why Ecology had concerns about agreeing a payment holiday when there were existing mortgage arrears. I don't think its decision to decline Mr G's request was unreasonable. Ecology's records say that it told Mr G in November 2024 that it could explore forbearance options with him if he couldn't afford the mortgage payments, and I think that was an appropriate approach for it to have taken.

Ecology has provided copies of the letters it sent to Mr G since the mortgage was taken out. They include letters sent after each drawdown, confirming the release of funds and how the mortgage would be affected. The letters set out how much had been released, the amount remaining of the retention, the mortgage balance, interest rate, and revised monthly payments. I don't find any basis on which I can conclude that Ecology failed to keep Mr G informed about how his mortgage was operating.

Finally, I note that Mr G has complained about the mortgage arrears Ecology has reported to a credit reference agency. That's now the subject of a separate complaint, so it's not appropriate for me to consider it here. I hope that Mr G is able to complete work on the property and that he and Ecology can find a way forward for repayment of the mortgage. I remind Ecology of its obligation to treat Mr G fairly if he continues to experience financial difficulty.

My final decision

My final decision is that I don't uphold this complaint. I make no order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 September 2025.

Janet Millington
Ombudsman