DRN-5605387

The complaint

Miss A's complaint relates to a Help to Buy ("HTB") loan that was administered on behalf of the lender by Lenvi Servicing Limited. She's unhappy about the amount she had to pay to redeem her loan as she says some of the increase in value is due to some non-structural enhancements she made to the property.

The HTB scheme

The HTB scheme was a government scheme in place to support home ownership. In addition to the usual mortgage from a regular lender, a borrower took a shared equity loan funded by the government to reduce the amount of cash deposit that would be otherwise required.

HTB shared equity loans are secured by way of a second charge over the property, ranking behind the main mortgage.

Miss A's property was in England, and she took the shared equity loan out with Homes England, which was formally known as the Homes and Communities Agency.

Homes England isn't regulated by the Financial Conduct Authority (FCA) but it appointed Lenvi to administer the loan on its behalf. Lenvi is regulated by the FCA.

The rules which set out the complaints our service can consider are found in the Dispute Resolution (DISP) section in the FCA's handbook. DISP 2.3 says that our service can consider a complaint if it relates to an act or omission by a firm carrying on a regulated activity.

The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 sets out the list of regulated activities referred to in DISP. Among the regulated activities listed is debt administration and debt collection.

Having considered the activities that Lenvi was carrying out in relation to Miss A's agreement, I'm satisfied that the event complained about is an activity that forms part of administering the loan or collecting payments, and therefore is a matter we can consider against Lenvi.

What happened

Miss A borrowed 20% of the value of her property under the HTB scheme in 2020. The property was valued at £142,950 at that time which gave an initial HTB loan amount of £28,590.

In late 2024 Miss A contacted Lenvi about redeeming her loan.

In line with the contract requirements, Miss A obtained a valuation on her property and a report was produced on 29 November 2024 giving a value of £149,000. It also said that was the sale price that Miss A had agreed for the property. The report went on to set out what it described as "Property Market Value enhancing improvements", listing those as:

Improvement	Owner reported cost	Market Value enhancing factor
Kitchen upgrade	£2,650	£1,500
Carpets / floor coverings	£3,000	£1,500
Blinds / curtain rails / curtains	£650	£350
Lighting	£300	£150
Bathroom tiling	£1,000	£500
Bathroom heated towel rail	£500	£200
Bathroom extractor fan	£300	£100
Shower / shower screen	£1,300	£550
Built in cupboard	£400	£150
Fitted wall shelves	£50	£25
General decoration / feature wall mirrors	£200	£75
Landscaping	£1,000	£750
External tap and washing line	£340	£126

The report said:

> "The total cost of improvement and upgrading work that enhances Market Value carried out to the property by the Owner as listed amounts to £11,690.
>
> The Market Value enhancing factor attributed to the extensive works carried out by the Owner to upgrade standard of finish and fitting out to the property is assessed at £5,975.
>
> The Help to Buy Provider cannot claim benefit for Market Value enhancing improvements that were carried out by the Owner to which financial contribution was not made.
>
> That Market Value enhancing factor is to be discounted from the current condition assessed Market Value."

And:

> "The assessed Market Value enhancement factor of £5,975 must be deducted from the current condition assessed Market Value to achieve a Nett Market Value for Help To Buy settlement purposes of £143,025 (One Hundred and Forty Three Thousand and Twenty Five Pounds)."

Miss A's solicitor sent Lenvi a Letter of Undertaking stating the property was being sold for £147,500, so the higher RICS valuation of £149,000 should be used. It said the anticipated completion date was 17 December 2024 and £29,800 was the sum due to redeem the HTB loan.

On 16 December 2024, Lenvi sent Miss A's solicitor a final redemption statement, confirming that the amount needed to repay the loan was £29,800. This equalled 20% of the RICS valuation. The loan was repaid on 17 December 2024.

Unhappy with the amount payable on redemption, Miss A complained to Lenvi. Lenvi didn't uphold the complaint. It said that in line with the scheme terms, it can only consider a reduction to the total equity loan amount owed if an increase in market value is because of approved structural alterations made to the property for medical purposes only. Lenvi said the home improvements made by Miss A don't qualify.

Miss A brought her complaint to our service. An investigator looked into things and explained why he didn't think Lenvi had acted unfairly in the way that it calculated the equity percentage payable.

Miss A didn't agree and asked for her case to be decided by an Ombudsman.

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 starting point for thinking about whether Lenvi was entitled to do what it did is the terms and conditions of the HTB loan. The relevant conditions say:

> "6 Transfer of the Property and Determining the Repayment Sum
>
> 6.1 If the Borrower wishes to make a Disposal the Borrower must notify the Lender in writing to the effect that he wishes to make a Disposal.
>
> 6.2 Within fourteen (14) days of service of the Transfer Notice…the Borrower shall apply (at its own cost) to the Valuer (whose decision shall be final) to determine the Market Value as at the date of receipt of the Transfer Notice or as at the date of the other relevant event as the case may be and within five (5) working days of receipt of such determination the Borrower shall serve a Valuation Notice on the Lender."

The HTB contract defines "Market Value" as follows:

> "Market Value means the price which the Property would fetch on the open market on a sale by a willing vendor to a willing purchaser on the assumption if not a fact that all the covenants on the part of the Borrower in this mortgage have been fully complied with and in the event of damage to the Property that it has been fully reinstated and disregarding any additions or improvements made by the Borrower with the written consent of the Lender provided that in the case of a Disposal where the Disposal price (disregarding any part of that price attributable to any additions or improvements made by the Borrower with the written consent of the Lender) is greater than the Market Value then the Market Value shall be substituted with such Disposal price when calculating the Repayment Sum"

So, Condition 6 says that within 14 days of giving a Transfer Notice, the borrower must obtain a valuation to determine the Market Value of the property (at their expense). The Market Value is defined as the Disposal Price (sale price) or the Market Value, whichever is greater.

I'm satisfied that this means that Lenvi was entitled to expect a market valuation at the expense of Miss A and it was entitled to apply the higher of the sale price or the valuation figure when calculating the repayment sum due.

There is a separate section that details what Miss A was allowed to do with the property in terms of alterations:

> “4 Covenants by the borrower”
>
> “4.10 Not to make or cause or permit to be made any alteration in or addition to the Property nor carry out any development or change of use on the Property within the meaning of any legislation for the time being relating to town and country planning without the previous consent in writing of the Lender such consent not to be unreasonably withheld.”

I appreciate that Miss A is unhappy as she feels that any profit made on the property as a result of home improvements should be deducted from the value of the property for the purposes of calculating the equity amount owed. I don’t agree that’s the case here, I’ll explain why.

The Government website provides guidance on “How to make structural alterations to your Help to Buy home”[1]. The relevant information says that it can only approve structural alterations to a property (changes which alter its layout) if they are made for medical reasons. The website goes on to provide examples of what does and doesn’t count as ‘structural alterations’.

The website says:

> “If you do not get permission to make structural alterations, any increase in your home’s market value will be added to your equity loan, so you’ll owe more.”
>
> “If you get permission to make structural alterations, and after making and paying for them yourself this increases the value of your home, the increase in market value will not be added to the total equity loan amount you owe.”

This was also covered in the Help to Buy Buyers Guide which says:

> “Q Can I extend or alter the property?
>
> Not without permission. Because Help to Buy is designed to help people move up the housing ladder, you should consider repaying part or all of Homes England’s contribution before making plans for improvements or alterations. This is because Homes England is seeking to help future aspiring buyers and may use the proceeds of these repayments to make more assistance available. Therefore, consent will not usually be granted for significant home improvements. Homes England’s Mortgage Administrator will act reasonably in considering any application and will review cases of hardship if, for example, property modifications are required for a disability. When your property is sold in the future, if improvements have been made with the approval of Homes England’s Mortgage Administrator, these will be ignored when your property is valued to work out how much should be repaid to Homes England.”

The valuation report detailed what it described as improvements to the property. Having considered the alterations made, these do not meet the definition of structural alterations – which would only be approved for medical reasons. It’s in these circumstances only that the increase in market value would not be added to the total equity loan amount owed on redemption.

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[1] https://www.gov.uk/guidance/how-to-make-structural-alterations-to-your-help-to-buy-home

Miss A did not require approval for the non-structural home improvements carried out but equally that means the “value” of those items can’t be taken into account when considering the market value. I don’t think that Lenvi acted unfairly when the disposal price was considered in full without deducting the value of the improvements listed in the surveyor’s report. The options available to Miss A was to return her home to its original condition, at her own cost, or repay the loan according to its market value.

The terms of the loan were clear that redemption would be based on the Market Value (or sale price if higher) and that the Market Value could only be reduced by the value of any additions or improvements made by Miss A *if* those improvements met the qualifying criteria and Miss A obtained the written consent of Homes England. Miss A’s surveyor confirmed the market value was £149,000 and so Lenvi did nothing wrong in basing the redemption figure on that value. And in any event, even if Lenvi should have considered the value to be £143,025 then the sale price would have been used instead (as that was higher) which was confirmed by Miss A’s solicitor to be £147,500. So the redemption amount would still have been £29,500 (not the £28,605 Miss A thinks it should have been).

It's not the case that Lenvi ignored the surveyor’s professional opinion. It took into account everything the surveyor said about the value of the property and improvements Miss A had made. But it isn’t the surveyor’s role to agree to a market value adjustment, that is up to Lenvi (on behalf of Homes England). The surveyor provides the information (as they did) and then Lenvi assesses that taking into account the equity loan contract terms and conditions. That is what I would expect and is what happened here. The surveyor can’t insist a market value adjustment is made if Miss A doesn’t meet the criteria for that.

Miss A has said that Lenvi hasn’t acted in line with the financial services regulator’s Consumer Duty, because it hasn’t acted in good faith or avoided causing her foreseeable harm, and she hasn’t been supported to reach a good customer outcome. I’ve taken account of the requirements of the Consumer Duty in making my decision.

The Consumer Duty standards came into force from 31 July 2023. These standards say that a business should communicate in a way which is clear, fair and not misleading and equip customers to make decisions that are effective, timely and properly informed. And having considered what Lenvi did, I think it gave appropriate information to Miss A based on her circumstances, and what Lenvi knew, at the time. I don’t agree that it misled Miss A.

Miss A has said that she first submitted her application on 6 May and she was only told of the final repayment amount due on the day of completion, which she says meant she was forced to use credit cards and emergency borrowing at short notice to pay the bill.

I acknowledge Miss A started the process in May 2024, but the valuation wasn’t carried out until 29 November, with the report submitted to Lenvi on Friday 6 December along with the application form. Lenvi confirmed receipt on 10 December, but the application needed to be amended as Miss A had provided incorrect details for her solicitor (she’d provided the surveyor’s details instead). Miss A’s solicitor provided its Letter of Undertaking on 11 December, with completion stated for 17 December. Lenvi provided the correct Authority to Complete with the redemption figure, but Miss A’s solicitor requested an amended version based on a lower valuation figure of £143,025. Lenvi explained to Miss A’s solicitor why the higher figure was due and the loan was repaid.

Lenvi didn’t have sight of the valuation until a week before completion. It wouldn’t calculate the figures until it had all the information it needed, such as a corrected completed application form and as soon as that was received Lenvi received the Letter of Undertaking from Miss A’s solicitor giving a completion date of 17 December. So there simply wasn’t the time to remind Miss A any sooner of the contract that she’d entered into which meant the redemption figure would be based on the full market value of the property (or sale price if higher). And I can again only reiterate that even if the lower figure of £143,025 should have been taken as the valuation (which, to be clear, I don't agree it should have been) then the redemption figure would instead have been based on the sale price of £147,500, so would never have been as low as Miss A thinks.

Consumer Duty doesn't mean that businesses have a responsibility to prevent all potential harm, providing that any such risks have been understood and accepted by the consumer. It also doesn't mean that consumers will always get good outcomes. Lenvi only agreed to take into account pre-approved structural improvements in the redemption amount, so there was an inherent risk that any spending on the property other than for pre-approved structural improvements might increase the valuation and the amount needed to repay the HTB loan. And Lenvi never led Miss A to believe that it would take any such spending into account when calculating the redemption figure. It follows, that I'm satisfied Miss A accepted the risk of that when she took out the HTB loan.

It's unfortunate that Miss A spent money on the property that she feels Homes England benefited from. But I consider that Lenvi acted in good faith in its handling of Miss A's redemption for all the reasons I've explained above.

Having considered everything, I'm satisfied that the equity loan amount was correctly calculated as per the terms and conditions of the HTB loan. It's for this reason that I don't uphold this complaint.

My final decision

My final decision is that I don't uphold Miss A's complaint against Lenvi Servicing Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 25 September 2025.
Julia Meadows
Ombudsman