

The complaint

Mr and Mrs C's complaint relates to a Help-to-Buy loan that was administered on behalf of the lender by Lenvi Servicing Limited. They're unhappy that the amount quoted to redeem their loan was altered from £78,000 to £81,053 which meant they had to source an extra circa £3,000 at short notice to repay their loan. They're also unhappy that the lender is taking 20% of the total profit made on the property, as a result of money they personally invested in home improvements. To settle their complaint, Mr and Mrs C want the extra £3,000 charged on completion refunded to them.

What happened

The Help-to-Buy (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. Mr and Mrs C's property was in England and so the HTB scheme they applied for was for a shared equity loan 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. For ease I will refer to Lenvi as the respondent business throughout the remainder of this decision.

Mr and Mrs C borrowed 20% of the value of their property under the HTB scheme in 2018. The property was valued at £324,995 at that time. The value of the loan is calculated based on the prevailing market value of the borrower's property and interest is charged on its original value and only becomes payable after five years.

In October 2024 Mr and Mrs C contacted Lenvi about redeeming their loan.

In line with the contract requirements, Mr and Mrs C obtained a valuation on their property and a report was produced on 15 October 2024 giving a value of £390,000.

Based on this an indicative redemption quote was issued by Lenvi on 18 December 2024 stating that Mr and Mrs C needed to pay £78,000 to redeem their loan. This equalled 20% of the property value.

On 10 January 2025 Mr and Mrs C's solicitor sent Lenvi a Letter of Undertaking stating the property was being sold for £405,000.

On 16 January 2025, Lenvi sent Mr and Mrs C a final redemption statement, informing them that the actual amount needed to repay the loan was £81,000. This equalled 20% of the property sale value. Further interest charges to date were added totalling £53.77

Unhappy with the amount payable on redemption, Mr and Mrs C complained to Lenvi. Lenvi didn't uphold the complaint. It said that in line with the scheme terms, the equity percentage

is calculated against the higher of either the current market value or the disposal ("sale") price. The initial redemption quote is an estimation only and the final settlement amount is determined once the sale price is confirmed.

Lenvi also said that 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 Mr and Mrs C don't qualify.

Unhappy with Lenvi's response Mr and Mrs C brought their 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.

Mr and Mrs C didn't agree and asked for their 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 [defined as a transfer to a third party of the Borrowers interest in the Property] the Borrower must notify the Lender in writing to the effect that he wishes to make a Disposal [defined as a Transfer Notice].
- 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... 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 Mr and Mrs C and it was entitled to apply the sale price over the valuation figure when calculating the repayment sum due.

Once Mr and Mrs C returned the valuation report an indicative redemption quote was issued by Lenvi on 18 December 2024. The redemption quote clearly states in bold italics on page one that *"Please note this is an indicative quote and may change"*.

A detailed quotation breakdown is then given. Underneath which it goes on to say:

"What do you need to do next?"

- If repayment involves a property sale, the equity loan amount payable (line 6) is only provisional as this will be based on the RICS valuation or the Property Sale Price, whichever is higher...
- If repaying involves a property sale, your conveyancer must confirm the property sale price and the completion date on the standard letter of undertaking"

So I'm satisfied Lenvi told Mr and Mrs C that the quote issued was indicative and it reminded them how the repayment sum payable would be calculated.

Having been notified by the solicitor acting for Mr and Mrs C that the property was being sold for £405,000, Lenvi issued a final redemption quote entitled "Authority to complete". A new quote was given for the equity loan repayable amount of £81,000 which equated to 20% of the sale price.

I appreciate that Mr and Mrs C are unhappy that the new redemption amount was more than they say they expected. In addition, they say 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."

Lenvi has confirmed that the valuation report detailed improvements to the property. Mrs C has also provided more information to our service about the home improvements made to the property. She's explained that they took the HTB to purchase the property with its standard specification. She says that at their own expense they paid for additional extras

¹ [How to make structural alterations to your Help to Buy home - GOV.UK](https://www.gov.uk/help-to-buy-home/how-to-make-structural-alterations-to-your-help-to-buy-home)

including new flooring and lighting throughout the property. They also had window blinds fitted, carried out decorations and installed decking in the garden.

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.

Mr and Mrs C did not require approval for the non-structural home improvements carried out and 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 Mr and Mrs C were to return their home to its original condition, at their own cost, or repay the loan according to its market value.

Lastly, I note that Mr and Mrs C question why they were required to pay for a valuation, for the report to be ignored. They also question why Lenvi feels it's more qualified than the surveyor to quantify the value of the property.

Because the repayment amount of the HTB loan is based on the current market value, it's important that an independent valuation is carried out to present a fair and unbiased value of the property – to protect the interest of both the borrower and the Government. Lenvi needs to ensure that it gets the correct repayment, based on the property's current worth. And as per the contract, the borrower bears the cost of this – as they're the ones triggering the sale or the repayment.

It's for this reason that Lenvi cannot rely on the sale value alone as borrowers may sell their property below market value for several reasons. And as I've explained the conditions of the loan set out that the repayment sum is based on the highest of each value – which is the approach fairly taken by Lenvi in this case, in line with the conditions of the loan.

So 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 Mr and Mrs C's complaint against Lenvi Servicing Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 7 July 2025.

Arazu Eid
Ombudsman