

The complaint

Mrs B has complained about the lending decision made by Aviva Equity Release UK Limited when she took out a lifetime mortgage in 2003. She's said the property was overvalued at £300,000, which led to her being misled about the amount of equity that would remain over the years.

Mrs B has been represented in bringing this complaint by a family member who I will refer to as Mrs B1. Any reference to Mrs B1 in this decision should be taken to mean her acting in that capacity where appropriate. Equally, any reference to Aviva should be taken to mean its previous name of Norwich Union where applicable.

What happened

Mr and Mrs B took out this Aviva lifetime mortgage in 2003. Mr B has since passed away so the mortgage, and right to complain about it, sits with Mrs B.

A mortgage valuation was carried out on 2 December 2003 by an independent surveyor, and they said the property, for mortgage purposes, was worth £300,000 in its present condition.

The mortgage offer was issued setting out the loan amount of £55,000 and that the interest rate was fixed at 7.49% for the life of the loan. The lifetime mortgage completed on 27 January 2004.

In September 2024 Mrs B1 raised a complaint about the lifetime mortgage. She said she thought Mr and Mrs B had been mis sold the plan and didn't know what they were signing up for. She raised concerns about the loan balance and interest rate. She also complained about the valuation of the property.

Aviva didn't uphold the complaints and so the matter was referred to our service. The complaint was split into two – the first being about the advice given and the second (which is this complaint I am deciding) being about the lending decision.

An Investigator looked at the complaint about the lending decision and he didn't uphold it. He said Aviva was entitled to rely upon the expert opinion of the independent surveyor about the value of the property, and it based its decision to lend on that. He also said that Mrs B had received regular statements to show the balance of the loan increasing, so if she had any concerns about that then she could have complained sooner; he said it wouldn't be reasonable to expect Aviva to do anything now when Mrs B had been aware of the increasing balance for such a long time and hadn't taken steps to address it.

Mrs B1 didn't agree and so the case was passed to me to decide.

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 trust Mrs B won't take it as a discourtesy that I've condensed her complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Before I go any further I need to make it clear that this decision only deals with the complaint that Mrs B1 says the property was overvalued and therefore the amount of equity illustrated to remain was misleading, and that she therefore wanted Aviva to accept a reduced settlement.

All the other complaint points that relate to the suitability of the advice (that is, whether the mortgage was mis-sold) are being dealt with on the other complaint reference we have. That's because whilst both are Aviva, different entities within the brand are responsible for dealing with the complaints. This entity is the lender, so therefore is only responsible for dealing with the complaint about the lending decision. The other entity gave the advice, so it is responsible for dealing with the complaints about the suitability and advice given.

For that reason I won't be commenting on whether the mortgage was mis-sold, the appropriateness of the interest rate product, and what was discussed and recorded by the adviser. I also won't be commenting on any commission received by the adviser as that doesn't form part of this complaint.

I am satisfied I have the jurisdiction to look at this complaint as although the issues complained about span a long period, I can still consider if the matters Mrs B1 complains about resulted in an unfair relationship between Aviva and Mr and Mrs B.

Having considered everything very carefully I don't think Aviva Equity Release UK Limited treated Mr and Mrs B unreasonably nor do I think the relationship was otherwise unfair, and I'll explain why below.

The application was submitted on the basis of the property being worth around £300,000 but Aviva didn't just accept that value as given by Mr and Mrs B on their application, instead it instructed a surveyor to visit the property.

I've seen the valuation report from when the mortgage was lent. Although it has a Norwich Union heading, the valuation was carried out by an independent qualified surveyor. It's not uncommon for valuations to have the heading of the instructing lender on the document, in my experience. The valuation shows that the surveyor was qualified and a member of the Royal Institution of Chartered Surveyors (RICS), as I'd expect. They said that the property represented good security for the loan, and was worth £300,000.

It's not possible now for me to check the accuracy of the valuation that was carried out over twenty years ago, and in any case I don't think the information about current property prices Mrs B1 has mentioned is relevant to prices at the time. I'm satisfied that the lender instructed an independent qualified surveyor and it was reasonable to rely on their opinion.

If Mr and Mrs B felt their property wasn't worth that much then they needed to tell Aviva that at the time, that is in 2003. But in the absence of such information from Mr and Mrs B, and upon receipt of a mortgage valuation report from an independent qualified surveyor, Aviva did nothing wrong in proceeding on the basis the property was worth £300,000.

The mortgage offer that was issued to Mr and Mrs B, and that they accepted, set out the interest rate was fixed at 7.49% for the life of the loan, and it explained interest was compounded annually on the anniversary of the completion date.

An illustration was issued that showed how the interest roll up would work. That indicated that after:

- 1 year the balance would be £59,120
- 5 years the balance would be £78,923
- 10 years the balance would be £113,251
- 20 years the balance would be £233,198

It also had a section “Will there be any money left after your home is sold?” which said:

“We can’t predict with certainty the amount that would be left to you or your estate if the plan is repaid from the proceeds from selling your home. This is because the amount will depend upon:

- the time until the loan is repaid
- the change in the value of your home.”

It then set out in a table some possible outcomes depending on the increase in the value of the property (including an option for the value remaining the same), and explained they were only examples and weren’t minimum or maximum amounts.

The mortgage offer, valuation report and illustration were all sent to Mr and Mrs B on 5 December 2023. Mr and Mrs B were then sent annual statements showing how the balance was increasing. Two examples being the statement in:

- January 2005 showed the balance was £59,119.49 (compared to £59,120 that had been set out in the original illustration).
- January 2024 showed the balance was £233,197.16 (compared to £233,198 that had been set in the original illustration).

I understand Mrs B1 feels the information wasn’t explained to Mr and Mrs B, and the adviser was too optimistic in terms of how much their property may increase by, but those are all matters for the adviser, not the lender. The lender, which is the entity I am dealing with here, set out the terms of the contract and illustrated possible future outcomes, with risk warnings they were only illustrative. The mortgage has increased in line with those illustrative figures as I’ve set out above and so I’m satisfied the lender didn’t mislead Mr and Mrs B as to how the balance on the lifetime mortgage would roll up.

In relation to what I can consider against the lender, Aviva Equity Release UK Limited, I’m sorry to disappoint Mrs B1 but I simply can’t uphold Mrs B’s complaint however much she may want me to.

Finally, our Investigator put Mrs B1’s offer to pay £120,000 to redeem this loan to Aviva and it didn’t accept it. As I’ve not upheld this complaint against Aviva Equity Release UK Limited it follows that I make no order or award and so I make no order that a reduced settlement figure must be accepted.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 9 September 2025.

Julia Meadows
Ombudsman