

The complaint

Mr F complains that HSBC UK Bank Plc made errors with the valuation of his property. He asks that it correctly values his property, offers an interest rate product in a lower loan to value range, and compensates him for the additional interest he's already paid and the fees he's incurred.

What happened

Mr F took out a mortgage with HSBC in 2022, via a broker. HSBC used a system or "desktop" valuation of the property to assess whether it was suitable security.

Mr F's interest rate product was due to expire in 2024. HSBC wrote to Mr F to remind him of this. It included an estimated property value, which Mr F was unhappy with as he'd done work to the property which he thought would increase its value.

The property was re-valued. The valuer said the property was of non-standard construction, which meant it wasn't deemed suitable security. As HSBC had already made the loan the property was given a valuation. This was lower than before, meaning Mr F had to choose a product in a different loan to value range. It also means HSBC won't offer further lending.

Mr F says HSBC should have identified the issue with the property prior to lending in 2022. He said it hadn't been transparent about the valuation carried out in 2024 or given him a fair opportunity to challenge the valuation, for instance with a report from a structural engineer or RICS surveyor.

HSBC says it didn't make an error with the valuation, but did cause some delays with the product switch. It agreed to refund the additional interest while Mr F's mortgage was on the standard variable rate and offered £125 compensation.

Mr F says this isn't enough. He says he'll pay additional interest of tens of thousands of pounds.

Our investigator said lenders often use system valuations. The valuation is for the benefit of the lender. Our investigator said HSBC instructed a suitably qualified surveyor in 2024 and was entitled to rely on their expert opinion as to the value of the property. Our investigator said HSBC's offer to refund interest and pay £125 for the delays is fair.

Mr F didn't agree and asked that an ombudsman re-consider the complaint. He said it was unfair that he was in debt due to the value of the property going down when he didn't do anything wrong. He said HSBC created the problem by using a desktop valuation in 2022.

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 valuation in 2022

HSBC used a desktop valuation of the property in 2022. It says this is usual, unless a desktop valuation isn't appropriate.

The valuation report says it's only for the purpose of helping HSBC make a lending decision. It says if the purchaser wants to check the condition of the property or identify defects they should instruct a survey of their own.

HSBC provided a copy of the valuation report. This said the property was of standard construction, was suitable security and gave a market value of £335,000.

While matters might have been different if HSBC had instructed a physical valuation in 2022 there was no requirement for it to do so. We asked HSBC for a copy of the mortgage application it received and this said the property construction was "brick/stone (conventional)". I don't think this, or the valuation report it received, would have alerted HSBC to the need for a physical valuation. I think it was reasonable for HSBC to rely on the desktop valuation when it made a lending decision.

The valuation in 2024

HSBC wrote to Mr F in mid-2024, to remind him that his interest rate product was due to expire on 31 October 2024. The letter gave an estimated property value of about £324,000.

Mr F asked for the property to be valued as he expected its value to have increased. HSBC instructed a firm of surveyors to carry out a valuation. In October 2024 the valuer – a RICS associate – said the property was of non-standard construction with limited marketability and not suitable security.

Often, when a property is deemed not suitable security, the valuer doesn't give a valuation amount. Here, as HSBC had already provided a mortgage, it asked for a valuation amount to be provided. The valuation of £270,000 was less than the mortgage balance. HSBC told Mr F's broker he could choose a product from the 95% loan to value range. The broker didn't have three comparables, which HSBC requires as evidence in order to challenge the valuation.

Mr F said HSBC didn't disclose the valuer's rationale, so he was unable to provide evidence such as a structural engineer's report or independent RICS valuation to demonstrate that the property is worth more. While Mr F could have instructed a RICS surveyor to carry out a valuation, I don't know if this would have resulted in a higher valuation. Even if this was the case, HSBC is entitled to instruct a valuation to be carried out on its own behalf, and wouldn't have to agree to replace this with a valuation carried out on behalf of Mr F. I'd expect HSBC to consider fairly any evidence it receives that suggests it might not be reasonable to rely on a valuation. But there's no evidence that Mr F provided any report or valuation from a RICS surveyor or structural engineer to HSBC in late 2024 that cast doubt on the valuation.

Mr F was understandably upset that the value given to his property was lower than he'd expected, and less than he'd paid for the property. But HSBC instructed a firm of surveyors, suitably qualified to do the valuation. I think it's entitled to rely on their opinion.

The product switch

HSBC said Mr F could have a product from the 95% loan to value range. There were delays that meant the new product wasn't in place until 8 November 2024. HSBC refunded the additional interest applied while the mortgage was on its standard variable rate (between 1 November 2024 and 7 November 2024). It offered £125 compensation for the inconvenience

caused by the delays and poor complaint handling. I think that's fair.

Mr F is in a difficult position. The property he bought has been valued at less than he paid for it, and less than the mortgage balance. HSBC allowed him to take out a product from its 95% loan to value range, which I think is fair.

I can't fairly require HSBC to offer Mr F a product from a lower loan to value range or pay further compensation to Mr F unless I find that it made an error or treated Mr F unfairly. I don't think it did.

Mr F said he'd provide a structural engineer's report and an independent valuation by a RICS surveyor demonstrating the property is sound and worth £360,000. I don't think we've received these items, and it's unlikely to change the outcome of this complaint if they were provided. What I'm considering here is whether HSBC acted fairly and reasonably when it instructed valuations of Mr F's property in 2022 and 2024 and responded to his concerns in late 2024. There's no evidence Mr F provided reports from a structural engineer or a RICS surveyor to HSBC in late 2024, so I can't fairly say it ought to have taken them into account.

Ruth Stevenson
Ombudsman