

The complaint

Mr S and Ms B's complaint is against Metro Bank PLC and is about a buy-to-let (BTL) mortgage. Mr S and Ms B are unhappy that, because of the rental value placed on the property by Metro's valuer, the bank declined their application for a further advance.

Mr S and Ms B say the rental value is too low and "*obviously wrong*". They would like the valuation set aside and reconsidered. Mr S and Ms B would also like a refund of the £1,400 valuation fee they paid. In addition, Mr S and Ms B want Metro to change its valuation appeal process, which they believe is unfair.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr S and Ms B being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Mr S and Ms B own a BTL property which they purchased in 2023 with an interest-only BTL mortgage from Metro of £1,285,700. On the initial application Mr S and Ms B placed a value on the property of £3million and an estimated rent of £7,300 per month, but Metro's valuer down-valued this to £2million and a rental value of £6,000 per month which, although challenged, was eventually accepted and the mortgage completed in February 2023.

In February 2024 Mr S and Ms B, through their broker, applied for a further advance. A mortgage illustration was issued for an additional loan of £312,999 (including the product fee) over a 20-year term, initially on a two-year fixed rate interest-only product. This was based on a rental figure of £7,800 per month and an estimated property value of £3million, taking the total borrowing to £1,597,999 at a loan to value (LTV) ratio of 65%. A valuation fee of £1,400 was paid.

Metro instructed an independent firm of surveyors to value the property. The property valuation was for £2million, with an estimated rental valuation of £3,700 per month. This did not meet Metro's lending criteria. The valuations were challenged, and the surveyor responded to Metro justifying both the property and rental valuations.

On 10 July 2024 Metro issued its final response on the complaint, explaining why it wasn't upholding it. On 12 July 2024, after a complaint from Mr S and Ms B's broker, Metro went back to the surveyors who revised the rental valuation to £6,500, with the property valuation remaining at £2million. This still didn't meet the bank's lending criteria and so the application for the further advance was declined. (It's not clear whether Mr S and Ms B's broker told them about the revised valuation, but nothing turns on this.)

Dissatisfied with Metro's response, Mr S and Ms B brought the complaint to our service. An Investigator looked at what had happened, but didn't think the complaint should be upheld.

Mr S and Mr B asked for an Ombudsman to review the complaint. They maintain that the valuation is too low, and that the process to appeal this is unfair.

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.

Although BTL mortgages are unregulated products (and so don't fall within the remit of the Financial Conduct Authority), the Prudential Regulation Authority (PRA), part of the Bank of England, requires lenders to apply strict affordability checks on BTL mortgages. As a result, it might appear that unrealistic barriers are stopping BTL landlords from borrowing the amount they require when, in fact, the lender is required to consider strict affordability criteria in order to assess its exposure to risk.

Metro is entitled to set its own lending criteria, subject to the requirements of the PRA. Decisions that Metro makes in respect of what those criteria are, its attitude to risk involved in this particular lending assessment, and whether it should lend and if so, on what terms are clearly discretionary matters for its own commercial judgement that I would not interfere with.

Metro has provided us with details of its lending criteria, which it has asked us to keep confidential, due to their commercial sensitivity. I've noted that Mr S and Ms B would like to see the criteria so they can challenge them. However, although some of Metro's criteria are available in the public domain through its intermediaries portal, not all of them are made public, which is standard across the mortgage industry.

The reason for this is that if all lending criteria were made public, borrowers who might not otherwise qualify for a mortgage could temporarily manipulate their financial position in order to pass lending criteria. I am not suggesting for one moment that Mr S and Ms B fall into this category (they do not), but this is a valid reason why lenders are entitled to keep some information out of the public domain.

But in any event, the rental value was not the only issue that led to the application being declined. The LTV was a factor, and the application didn't meet that. The valuation of £2million put the LTV at 79.99%, whereas Metro only allows a 75% LTV for loans of up to £2million.

In relation to the valuation, Metro's duty is to appoint a suitably-qualified person to carry out the valuation. The valuation was carried out by an Association of the Royal Institution of Chartered Surveyors (RICS), and the revised valuation of 12 July 2024 (when the rental income was increased) was by a Member of RICS. I'm therefore satisfied that Metro has fulfilled its duty in this respect.

It is settled law that a valuation for a BTL mortgage is for the benefit of the lender only to enable it to reach a lending decision (*Scullion v Bank of Scotland plc (t/a Colleys)* [2011] EWCA Civ 693). Metro was entitled to rely on the opinion of the valuers when deciding whether or not to agree to the further advance.

I've looked at the information Mr S and Ms B provided in relation to their valuation appeal, including figures provided by estate agents of what they consider to be the appropriate rental figure. However, estate agents' estimates of a property's rental potential are not comparable

with a surveyor's rental valuation. That's because estate agents often have a vested interest in providing a client (or potential client) with a high valuation figure. However, a valuation for mortgage purposes is based on more objective criteria, which can lead to a different outcome.

Whilst I agree that the initial valuation figure of £3,700 was probably too low, the surveyor looked at it again and revised it to £6,300. However, this, along with the LTV, was still insufficient to meet Metro's lending criteria. In the circumstances, I'm satisfied that it was reasonable for Metro to decline the application.

Mr S and Ms B have also criticised Metro's policy of referring an appeal on the valuation back to the same valuer. I can't dictate what policies Metro puts in place in order to run its business. Metro isn't an expert on property valuations, and so when the valuation was challenged, it was reasonable to ask the party who'd valued the property to address the concerns that had been raised. This is, in fact, standard across the mortgage industry.

However, when Mr S and Ms B's broker raised this again, another surveyor at the same practice as the original surveyor re-visited the application and increased the rental figure. As I've previously said, Metro is entitled to rely on the expert opinion of the surveyors. I don't have any power to decide whether the original surveyor acted reasonably or not in relation to the initial challenge, as this is an independent firm, which doesn't fall within the remit of the Financial Ombudsman Service.

I fully understand why Mr S and Ms B were disappointed their application wasn't acceptable to Metro. I agree this is a unique property, and so finding comparables for the valuation was difficult. But overall I'm satisfied that Metro was entitled to rely on the opinion of its surveyors when deciding whether or not to agree this application. In the circumstances, therefore, I'm unable to find Metro to be at fault. This means there is no basis on which I can order Metro to reconsider the application, or refund the valuation fee.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Ms B to accept or reject my decision before 21 July 2025.

Jan O'Leary
Ombudsman