

complaint

Mr J complains that NRAM plc lent irresponsibly to him on the basis of overly-optimistic valuations of his property.

background

Mr J re-mortgaged with NRAM in 2003 and he later took out three secured loans in November 2003, August 2004 and January 2006. He also obtained an unsecured loan from NRAM in January 2006.

In July 2014 Mr J complained to NRAM. He said that it had encouraged him to take out the further loans on the basis of incorrect valuations of his property.

NRAM rejected Mr J's complaint. It said that it had not advised Mr J when he re-mortgaged and the valuations had been carried out by a qualified valuer. And that the estimated valuations were less than Mr J thought his house was worth. NRAM also said it had told Mr J that the valuations were to protect its interests and not his. And it said that Mr J had not used the further loans to fund home improvements but for other purchases.

An adjudicator didn't uphold Mr J's complaint. Mr J doesn't accept this and he has asked an ombudsman to look into it. He has also provided a letter from an estate agent giving a current valuation of his property.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm afraid that I'm likely to disappoint Mr J because I agree with the adjudicator. I don't think that NRAM did anything wrong. And I don't think it should have to compensate Mr J.

These were non-advised sales. The issue in this case is whether it was suitable for his needs and circumstances. But NRAM didn't have to look into the question of suitability because these were non-advised sales. NRAM did have to treat Mr J fairly and to communicate with him in a way that was clear, fair and not misleading. And to tell him to seek advice if it thought the borrowing was inappropriate, not going ahead if it thought it would be irresponsible lending to do so. But beyond that it was for Mr J to decide if it was right for him to take the loans.

Mr J approached NRAM to obtain further loans; a number of which were secured on his property. Mr J told NRAM his income and it thought about whether he could afford the loans. Its valuer also carried out desk-top valuations. These were only intended to provide NRAM with information about whether the property was good security for the loans. And NRAM made it clear to Mr J that it was for him to seek his own valuations if he wished to do so.

I've looked at the letter from the estate agent which is an estimate of what the property might currently be worth. I don't think it's evidence though to say what the property was worth from 2003 to 2006 when Mr J took out the further loans. It's generally accepted that a variation of between 10% and 20% in the value put on a property as against its actual value is a reasonable margin of error. For example, in 2004 Mr J said he thought the property was worth £130k. NRAM's valuer said it thought the property was worth £110k. The estate agent

now says it thinks it might have been worth no more than £110k. These estimates fall within the accepted margin of error and I'm not persuaded they raise any obvious concerns.

Mr J says that NRAM was effectively encouraging him to take out these further loans – when it should have known that the property was over-valued. But I've looked carefully at the contact notes. And I can find no evidence to support this. On the contrary I can see that in June 2004 Mr J complained because NRAM said it would lend him less than it had originally told him. This resulted in NRAM paying him £150 to say sorry and it increasing the loan. And the contact notes from 2003 to 2006 suggest that Mr J was happy at that time to borrow against the value of his property so that he could purchase a car; a holiday home abroad and buy-to-let properties.

Therefore, I don't think that NRAM did anything wrong. It checked whether Mr J could afford the further loans and it told him that the valuations were to protect NRAM's interests and not his. The evidence suggests that Mr J wanted to take out the further loans to fund other purchases. And I think those were Mr J's decisions to make. But I don't think that NRAM can now be blamed for them.

my final decision

Therefore, I don't uphold Mr J's complaint against NRAM plc and I don't think it should have to pay any compensation to him. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 5 November 2015.

Alan Harris
ombudsman