

## **The complaint**

Mr F complains that Target Servicing Limited prevented him redeeming the help to buy shared equity loan secured over his property.

## **What happened**

Mr F bought his property – a flat in a block – in 2018 with the aid of a mortgage and a help to buy loan. Help to buy is a government scheme to support home purchases. A help to buy loan is for a percentage of the purchase price and is secured by way of a second charge over the property. To redeem the loan the same percentage of the value at the time of redemption must be repaid. Help to buy loans are interest free for the first five years, but interest bearing thereafter.

In March 2022, Mr F decided to repay his loan. He contacted Target as the regulated administrator managing the loan. Target explained that Mr F would need to obtain a valuation from a qualified surveyor and provide a copy of the EWS1 form for his building, or confirmation that there was no EWS1. Mr F was unable to find a surveyor willing to provide a valuation.

Mr F complained. He said that Target ought to have a process for allowing borrowers to redeem their loans in his situation. It wasn't his fault that he was unable to find a surveyor because of problems with cladding in his block. Mr F said that Target also wouldn't let him rent the property out. He said that because of rising interest rates and rising property prices since March 2022 he could no longer afford to borrow enough on his main mortgage to repay the help to buy loan. He wanted Target to pay him £75,000, which he estimated to be the shortfall he now faced.

Target said it thought Mr F hadn't brought his complaint in time. And it said that in order to redeem Mr F was required to obtain a valuation. It said it wasn't responsible for Mr F being unable to find a valuer willing to value his property.

Our investigator thought we could consider Mr F's complaint, but he didn't uphold it. As no agreement could be reached, the case comes to me for a final decision.

## **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.

Help to buy loans aren't regulated, and the lender isn't a regulated firm that falls within the jurisdiction of the Financial Ombudsman Service. However, the lender has appointed Target to manage the loan on its behalf – Target is a regulated firm and in administering the loan is carrying on a regulated activity. Target is responsible for answering this complaint.

But while Target as a firm, and the activity it is carrying out, falls within my jurisdiction that's not the end of the matter. Our rules also say that for a complaint to fall within my jurisdiction it also needs to have been made within the applicable time limits – and Target says it hasn't.

However, I don't agree about that. The rules say that a complaint must be made within six months of the date of the firm's final response. Target responded to Mr F's complaint on 15 July 2022, and he didn't bring his complaint to us until May 2023, which is more than six months later.

In that final response, Target told Mr F that it couldn't appoint a valuer for him directly but it could apply on his behalf to the Royal Institution of Chartered Surveyors (RICS) for RICS to do so. But in October 2022 (before the six month limit expired), Target told Mr F that wasn't in fact possible; it wouldn't apply to RICS for him and RICS wouldn't appoint a surveyor. I think this means that Target withdrew the final response; it told Mr F that the information it had given, on which it based its response was wrong. Where a final response is withdrawn, either explicitly or implicitly, it can't be relied on to set the time limit – meaning that Mr F's complaint is not out of time based on that final response.

And even if I was wrong about that I still wouldn't think this complaint was out of time. That's because Mr F's complaint is about what he sees as the ongoing failure of Target to appoint a surveyor and allow him to redeem his loan. That continued after 15 July 2022, and so Mr F can complain about Target's failings (if any) after that date even if he can't complain about it before that date.

However, while I'm satisfied I have the power to consider Mr F's complaint, I don't think I can fairly uphold it. I appreciate that this will be disappointing for Mr F, and I have much sympathy for the predicament he finds himself in. But I don't think Target is responsible for that predicament, or has treated him unfairly.

As the administrator of this loan, Target is required to administer it fairly and reasonably, exercising the lender's rights and performing the lender's obligations.

Under the terms and conditions, Mr F is allowed to redeem his loan at any time. To do so, a valuation of the property is necessary to determine the redemption amount. Mr F must apply to Target on the lender's behalf and get Target's agreement to the redemption and the appointment of a valuer. Once a valuer is agreed, their valuation is final and binding and Mr F can repay his loan based on that valuation.

While the terms and conditions say that the lender – or, in this case, Target on its behalf – needs to agree to the valuer, they don't say that Target is responsible for finding or appointing a valuer. In practice, Target didn't specify a particular valuer and would have been agreeable to any qualified valuer of Mr F's choice.

As the borrower looking to repay, it's Mr F's responsibility to find and instruct a valuer to value his property. It's very unfortunate that he was unable to do so – it was difficult at that time to find a valuer willing to value property affected by cladding because of the complexities and uncertainties of doing so. But Target isn't responsible either for the problems with Mr F's property, or the difficulties that caused in finding a valuer.

Mr F points to past decisions he's read on our website, where we've upheld complaints against Target. And I've taken those decisions into account – though it's important to say that each case is decided on its own facts and no one case sets a precedent for any other. The complaints Mr F has referred to involve situations where a borrower has obtained a valuation and Target has either failed to accept it or delayed in doing so – they're not cases where we have required Target to appoint a valuer because a borrower has been unable to find one themselves. And so they're of limited relevance for the circumstances of this complaint.

A valuation is necessary because this is a shared equity loan – which means that the

repayment amount isn't the same sum that Mr F borrowed, it's the same percentage of the property's value. Without a valuation, it's not possible to calculate the redemption amount. And as the person wanting to repay, it's for Mr F to find and instruct a valuer.

I understand this leaves Mr F in a very difficult position. He couldn't find a valuer when he wanted to redeem. Even if he was able to find a valuer now, because of increases in interest rates and property prices in the meantime, he might have to pay more to redeem but be able to borrow less than would have been the case in 2022. This means he might no longer be able to afford to repay the loan. I understand his frustration with that situation – and why he feels his situation is unfair. But even so that doesn't mean Target has acted unfairly in following the contractual process for redemptions, and that's why I can't uphold this complaint.

Since Mr F brought this complaint, administration of help to buy loans has moved from Target to a new company. Mr F's own circumstances have changed too, as he now has a young family. Mr F can apply to the new administrator to redeem – or pay off part of his loan – at any time if he's now able to find a valuer. And if he can't do so, he can make a fresh application, based on his changed circumstances, for alternatives such as being allowed to rent out the property. If he's unhappy with the response of the new administrator, he can bring a fresh complaint to us about that.

I hope Mr F is able to find a solution. But I'm afraid there's nothing more I can require Target to do.

### **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 F to accept or reject my decision before 25 March 2024.

Simon Pugh  
**Ombudsman**