DRN-4395517

The complaint

Mr K and Mrs A complain about the redemption of an equity loan they held with Metropolitan Housing Trust Ltd trading as Metropolitan Thames Valley (MTV).

What happened

In 2009, Mr K and Mrs A bought a shared ownership property. MTV provided an equity loan for £104,000 for 49.52% of the property's value.

Mr K and Mrs A complain:

- They were shocked to discover that the amount they needed to repay was based on the value of the property and not, as they understood, the amount they borrowed.
- They experienced difficulties contacting MTV and received contradictory and unclear information.
- It was difficult to complete the process to redeem the loan before their mortgage offer expired.
- MTV would not deduct the cost of all the home improvements from the amount to repay the loan.

The investigator did not think the complaint should be upheld. She thought MTV's offer of £200 was fair.

Mr K and Mrs A did not accept what the investigator said. They made a number of points, including:

- MTV's brochure said that double glazing, boiler and some other improvements would be deducted from the valuation, but they were not deducted.
- They didn't agree that the valuation would have been the same had they been given the brochure.
- MTV said they needed a revised valuation but the surveyor was not willing to do it. And MTV did not make them aware of the requirement before the valuation was carried out.
- MTV acknowledged the poor service – and that is what caused these problems, which have had huge financial implications for them.
- The property was in a very poor condition when they bought it and they had to spend a lot of money to make it liveable, that is why its value was less than similar properties.
- MTV's strict deadlines and requirements caused a lot of stress and hassle.

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.

Under the loan agreement, Mr K and Mrs A had to pay back 49.52% of the open market value of the property at time of repayment. I know Mr K and Mrs A said they didn't want us to look at this point, and their focus is on the home improvements. But it formed part of their original complaint, so I will deal with it. I consider the terms of the loan were clear that repayment was based on the value of the property. So I don't consider it was unfair for MTV to require valuation to determine how much should be repaid.

Mr K and Mrs A's point is that they didn't understand MTV's processes and requirements because they weren't given all of the information they needed to be able to make informed decision about what to do. That meant they did not get approval for all of the works they carried out and did not give the valuer a copy of MTV's home improvement letter as they were meant to. So the valuation did not deduct the value of home improvements and was higher than it should have been.

It isn't in dispute that Mr K and Mrs A weren't given the home improvements brochure before the valuation was carried out. I agree that would have made navigating MTV's repayment process difficult – and they wouldn't initially have known to provide the letter to the valuer that set out MTV's process. But ultimately, I don't think that made any difference. I will explain why.

The brochure sets out that the "value" of certain home improvements can be deducted from the valuation. That included installing double glazing and central heating. So I think that double glazing was something the valuer could have taken into account. I don't agree that getting a new boiler was. That is not the same as installing central heating – and the brochure goes on to state that it's regarded as repair and maintenance. So I don't consider MTV acted unreasonably in not including the new boiler. And I don't consider that MTV would be required to deduct any of the other home improvements Mr K and Mrs A carried out.

But the fact that Mr K and Mrs A had double glazing installed would not necessarily mean that it would increase the value of the property. MTV asked the valuer for their opinion about whether the double glazing would have increased the value of the property. They said it would not have made any difference to the valuation. It was reasonable for MTV to rely on the independent opinion of a valuer. And Mr K and Mrs A have not provided any independent evidence of their own to support that the double glazing did increase the value of the property.

Based on the evidence available to me, I am not persuaded that the valuation would have been any different had Mr K and Mrs A given the valuer the relevant letter before the valuation. And I note that Mr K and Mrs A were aware of the need for a valuation that took into account the home improvements before they repaid the mortgage. I understand they could not get the valuer to agree to carry out a revised valuation and they were under some time pressure to complete their mortgage. But those things were outside MTV's control. It was Mr K and Mrs A's decision to proceed knowing that they had not carried out a valuation that took into account the home improvements.

While MTV did not always provide a good service to Mr K and Mrs A I don't consider that was the reason their home improvements did not make any difference to the valuation. In all the circumstances, I consider its offer of £200 is fair and reasonable to reflect that its handling of this matter contributed to some of the stress and inconvenience Mr K and Mrs A suffered.

My final decision

My final decision is that Metropolitan Housing Trust Ltd trading as Metropolitan Thames Valley (MTV) should pay Mr K and Mrs A £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr K to accept or reject my decision before 10 April 2024.

Ken Rose
Ombudsman