

## **The complaint**

C, a limited company, complains that OneSavings Bank Plc trading as Kent Reliance refused to give C a Buy To Let mortgage, because of the property's location, but C's broker had told Kent about this location before applying. C wants the valuation fee refunded.

Miss R brings this complaint on behalf of C.

## **What happened**

Miss R told us that her mortgage broker spoke to Kent before submitting a mortgage application for premises which C owned, a small block which has recently been converted to separate residential units.

Miss R said that this property is next to one innocuous retail unit (which I won't detail further here) and Kent was made aware of this. Miss R said C paid a valuation fee, and a valuation was carried out, but the valuer returned a nil valuation because of the property's location.

Miss R said she'd understood the valuer's objection was that the commercial premise next door, although currently an innocuous retail unit, could in future be something like a takeaway food unit, which may affect saleability or mortgageability. Miss R said it was entirely unreasonable to return a nil valuation based on what may happen to the commercial premises next door in a number of years to come. She said the existing business was well established, and it was highly unlikely to be turned into anything unsavoury.

Miss R said Kent wouldn't refund the valuation fee or provide a copy of the report. Miss R said C had paid for the valuers report, so she should be able to see it.

Miss R didn't think C had been treated fairly and reasonably, because there had been full disclosure about the location of the building before the application, and it could be seen online using mapping websites. So she said if Kent was uncomfortable with the location, it should have been flagged from the outset, and Kent should not have got to the point of charging a valuation fee. Miss R said that Kent says on its website that it will consider properties close to commercial outlets, subject to valuer comments.

Miss R said that C had paid £145 as an administration fee and £880 as a valuation fee. She wanted that money back.

Kent didn't think it had done anything wrong. It said it doesn't review the location of premises and consult mapping websites when it receives an application. Its staff aren't experts on valuing properties, and it relies on appropriately qualified persons to provide a professional opinion about the future saleability of a property. That's what it had done here.

Kent said the valuation it received was a nil valuation. That wasn't the same as the value the owners might hope to achieve on sale, rather it was an assessment of the suitability of the property as security for lending. Kent said it was entitled to rely on that expert opinion.

Kent said the valuation it received is for its use only, and this had been made clear to the broker when the application was submitted. But it has shared the key findings with Miss R. The valuer said the *“Subject block is adjacent to non-residential units impacting the saleability and mortgageability. Furthermore property is supposed to be pre-let on a 5 year non-AST agreement, further impacting saleability.”*

Our investigator didn't think this complaint should be upheld. He didn't think Kent had made a mistake or acted unfairly. He said a mortgage application is never guaranteed, and he thought the broker had explained any lending decision would ultimately be dependent on the valuer's comments. Kent had instructed a third party business to carry out the valuation, and that business said the property wasn't suitable for Kent's lending appetite.

C's broker had been made aware that the application costs would not be refunded, so our investigator didn't think Kent had to pay that money back.

Miss R replied to disagree. She said she understood lenders rely on the opinions of valuers, but she said the property had been fully renovated, and C had disclosed up front the location of the property in proximity to a commercial premise, so she wasn't expecting a nil valuation. She said her broker had advised her on this lender's appetite regarding proximity to commercial outlets, and there was nothing to make her worry. But she said the application had been declined solely on the basis of proximity to this one innocuous retail property, and Kent knew about that from the outset. She thought it would have been fair for Kent to review the application and make a decision based on clear policies before taking C's fee. But she said C's application was doomed to fail the moment it was submitted, and that wasn't fair.

Our investigator didn't change his mind. Because no agreement was reached, this case then came 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.

I've reached the same overall conclusion on this complaint as our investigator.

Miss R said that Kent had been told about the location of the property before the application was made and had provided reassurances about the location. She has shown our service emails from her broker to her which say Kent was *“comfortable with the scope of works, conversion and location of the property”*. When this case came to me, I asked Miss R if she had any evidence of reassurances from Kent on this point being passed to her broker, rather than emails between her broker and her.

Miss R said these matters were discussed in conversation between the broker and Kent. So she felt we should be asking Kent about this. But Kent has already set out for our service its position on this, and that is that it wouldn't review a property's location in detail, and reach its own view on whether that's suitable security for lending, because it relies on the experts who carry out valuations for it.

I think that's consistent with what Miss R's broker said initially, that *“As always cases are subject to underwriters and valuer's comments, but they are happy with this one on the surface”* and indeed, what he has said now, that any comments on the suitability of the property for lending are *“..always accompanied by the caveat that it is subject to positive valuer commentary, as the lender relies on their expertise to confirm how re-saleability might*

*be affected*". So I haven't been able to see that C was misled by Kent about the likelihood of this application succeeding, before the relevant fee was paid.

I can see that the mortgage offer C received said the administration fee would not be refunded if the application was not successful. That same document said C would have to pay a valuation fee, and provided a link to a schedule of those fees, which again explained that this fee was not refundable. I think that Kent had done enough to make this position clear, and C's broker ought to have explained this to Miss R.

Kent then instructed a valuer who is a member of an appropriate professional body, and Kent relied on the report it received from this person, in declining to lend to C. Broadly speaking, I think Kent was entitled here to rely on the expert opinion it had commissioned.

There is one point I need to consider further though, and that's whether the description of the property that Miss R gave, matches the comments in the valuation report. If there had been a clear mistake made here, then it might not have been reasonable for Kent to rely on this report.

Miss R has repeatedly described the property C wanted to use as security for lending, as next to one retail premise, which I think it is reasonable to describe as innocuous. However, the relevant comments from the valuer's report say that the property was "*adjacent to non-residential units*". Mapping websites show that this property appears to be immediately adjacent to one retail unit, but the next neighbour on that side is also a commercial unit, and there appears to be one or more commercial units over the road too. It does therefore seem reasonable to describe this property as adjacent to some non-residential units.

Miss R said Kent wouldn't lend because it was concerned the one immediately adjacent shop could change its use in future. But I haven't been able to see that the surveyor expressed concerns in this case about the future use of that one retail property. So I can't say Kent refused to lend because it feared this existing would become a less desirable neighbour in future. Kent appears, rather, to have relied on the comments in the report itself, as its reason not to lend on this property.

I also think it does appear the surveyor assessed the property as it stands, and its neighbours as they stand. And I cannot say that a mistake was made about that, so that it would be unreasonable for Kent to have relied on this expert opinion.

I understand Miss R was both surprised and disappointed to find that this valuation meant C was turned down for lending. But I don't think Kent had to view the security property on mapping websites and reach its own view about whether it would lend, instead of asking for a valuation. Kent may have indicated to Miss R's broker that this property wasn't clearly outwith its lending appetite. But even if it did so, I can see that this broker's comments were caveated with the point that this application would be subject to a valuation.

So I think Kent was entitled to rely on a professional for an opinion on this property's suitability as security. And I think it did that here. I appreciate that Miss R feels C hasn't received anything for its payment, but I think that Kent was always clear that this payment wouldn't be refunded if the application was refused.

I don't think Kent has been unfair or unreasonable in this case. So, although I understand that Miss R on behalf of C will be disappointed by my decision, I don't think this complaint should be upheld.

## **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 2 October 2024.

Esther Absalom-Gough

**Ombudsman**