DRN-4883382

The complaint

Mr P complains that The Mortgage Works (UK) Plc ("TMW") won't extend the term of his Buy To Let ("BTL") mortgage unless he provides a specialist drainage report. Mr P says that considering the equity in the property, this can't possibly affect TMW's position.

What happened

Mr P said he'd applied for an extension to the term of his BTL mortgage with TMW. Mr P said TMW carried out a valuation as part of this, and the value was easily enough to support this lending request. But he said the valuation was subject to a drains check and any remedial work needed, because there was standing water at the side of the property.

Mr P said the only reason for the standing water was that the drain was blocked with leaves. Once those were cleared the water drained away, and Mr P said he'd provided photographic evidence of this. Mr P said it would be a complete waste of money for him to pay for a drains survey, and particularly because he was borrowing less than 20% of the property's value. So even a significant reduction in the value of the property due to a problem with the drains, would still leave him with sufficient equity to support the borrowing he wanted.

Mr P wanted the term extension to be approved, and for TMW to pay compensation for the problems he'd faced. Or if that wasn't possible, he wanted the valuation fee he'd paid to be returned, and not by cheque. Mr P said TMW insists on hard copies of documentation, which he said was ridiculous in a digital age. And he said TMW had caused considerable delays in his application.

TMW didn't think it had done anything wrong. It said it had sent an appropriately qualified valuer, and that valuer had recommended testing should be carried out on the drainage for Mr P's property. TMW said it had passed this information on to Mr P. It had then received Mr P's reply, setting out his view that the problem was just a blockage caused by leaves, and this had been cleared. This was considered further, and then considered again in response to Mr P's subsequent complaint, but TMW didn't change its mind.

TMW said Mr P hadn't pursued a complaint about what he believed to be delays with his application. And it said it could then still consider his term extension request if he provided a drains test report.

Our investigator didn't think this complaint should be upheld. She said TMW had used a qualified valuer, and relied on that expert's findings. Our investigator thought that was reasonable. Our investigator said the valuation fee was non-refundable, so she didn't think TMW had to pay that back. And our investigator didn't think that TMW caused avoidable or unreasonable delays. She wouldn't expect it to process Mr P's term extension application while the drain report hadn't been carried out.

Mr P didn't agree. He said it was reasonable for TMW to use a qualified person to value the property. But it wasn't reasonable to insist on further work that couldn't affect the decision to lend unless the drains issue slashed the value of the property by more than half. Mr P said he still thought the property quite obviously was adequate security.

Mr P also said there was unreasonable delay. He started the request in September, but did not receive the valuation until December. Mr P said there were multiple times when correspondence was lost or he had to chase. He said it was difficult to understand how this was reasonable.

Mr P still wanted the loan extension he'd applied for.

Our investigator didn't change her mind. She said the request started in September 2023, and TMW asked for a £515 fee for the valuation on 14 September, three days after Mr P first contacted TMW. That wasn't provided until 10 October. TMW responded the next day to request further information, but that wasn't received until 23 November. The valuation was instructed on the same day, and conducted two weeks later. So she didn't think there was evidence of unreasonable or avoidable delays caused by TMW.

Mr P replied again to disagree. He said we still hadn't commented on why a drains report was needed, when the existing loan to value was under 20%.

Our investigator replied again, to flag that the valuation report received had a nil value. That means the property may not be suitable security to lend.

Mr P said that was wrong and the valuation showed a value of £500,000 once the drains were checked. He said it wasn't reasonable to think that the drain issue would reduce the valuation to below 20% of this. Mr P said he wanted his complaint to be considered by an ombudsman, so it was passed 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.

Here, as part of Mr P's term extension application, TMW asked an appropriately qualified person to provide a valuation. It got a report which said that the underground drainage at Mr P's property appeared to be blocked. There doesn't appear to be any dispute that there was a considerable amount of standing water present on the day that valuer visited. So the valuer said that a drains test needed to be undertaken by a specialist contractor, and all recommendations should be implemented. The report also said *"A nil present value has been returned pending receipt of further advice."*

This report states the valuer's professional opinion that the property is not currently suitable security for lending. Mr P says that a drains issue couldn't possibly reduce the property's sale value to below 20% of its current value, so he thinks TMW should just lend anyway.

When a valuation report is provided for mortgage lending, that report isn't assessing what the property might make, on the open market, in an ordinary sale. It's assessing whether the property provides good security for lending. And those aren't quite the same thing.

There's no suggestion here that Mr P is facing any financial difficulties. But TMW has to consider that hypothetical worst case scenario, of what happens if it's no longer receiving payments to the mortgage. In those circumstances, a lender may have to repossess and sell the property it holds a charge over. And it will want to achieve that sale quite quickly, because in this hypothetical scenario where Mr P is no longer able to pay the mortgage, the debt he has is continuing to mount up.

I understand that Mr P has considerable equity in this property, so he says he's unlikely to be left with a shortfall. But I still don't think it's unreasonable for TMW to say it wants to know that this property doesn't have a very serious problem before it decides whether to lend. It wants to be sure that there isn't a drains issue, which might be expensive to fix by itself, but could also cause very considerable damage over time, eroding the property's value and affecting any sale in the worst case scenario. I think it's reasonable for TMW to say it wants to rule that out, before it decides whether to lend.

I know Mr P doesn't think there's anything wrong with the property at all. He has offered an alternative explanation, saying he thought the problem was just a drain blockage caused by falling leaves. I can see that TMW asked the valuer about this, and the reply was sent to Mr P by email on 2 January 2024. That email contained the valuer's comments, as follows –

> *I have reviewed the applicants comments and also the photos provided but due to the standing water noted on site and apparent water staining around another drain/gulley at the property we will still require a drains test to be undertaken by a specialist contactor to confirm there are no defects to the underground drainage system.*

So TMW didn't change its mind about whether a drainage report was required. I think it's reasonable for TMW to say that it understood the problem wasn't just one area of standing water, but that there was at least one other indication of possible drainage problems. I think it was reasonable for TMW to decide to follow its expert's advice here, and still ask Mr P to provide a drainage report, before it would extend the mortgage term.

I don't think TMW's decisions here were unreasonable or unfair. I don't think TMW has to simply grant Mr P's request for an extension now.

Mr P said if that wasn't possible, he wanted his valuation fee back. But I can see that in a letter TMW sent on 14 September, it explained it wouldn't pay this money back, whatever the decision. That letter said this –

> *Please note that the valuation fee is non-refundable once the valuation has taken place, even if your application is declined.*

So I do think TMW had explained the position to Mr P before he paid the fee, and I don't think TMW has to pay this money back now.

Mr P also said TMW had caused significant delays in assessing his application. I can see that Mr P has asked for correspondence to be resent at times, and that he also claimed documents were sent to TMW but weren't received. I don't think it's unreasonable for TMW to have used a largely paper-based process here. I've checked the dates of events our investigator set out, and I think those are right. So, like her, I haven't been able to see evidence of unreasonable or avoidable delays caused by TMW.

I know that Mr P feels strongly about this complaint, so I understand that he will be disappointed by my decision, but 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 Mr P to accept or reject my decision before 30 September 2024.

Esther Absalom-Gough
Ombudsman