

The complaint

Mr A complains that Stonehaven UK Ltd (trading as Canada Life) undervalued his property when he applied for additional mortgage borrowing. This delayed building work to the property. Mr A asks for a substantial amount of compensation.

What happened

Mr A took out a lifetime mortgage with Canada Life in 2018. In mid-2023 he applied for additional mortgage borrowing via a broker. Mr A needed the funds to pay for building work to the property.

Mr A estimated his property value as £900,000. The valuer instructed by Canada Life gave the property a value of £550,000. This meant Mr A couldn't borrow as much as he'd hoped.

Mr A says the valuation was wrongly based on the current condition of the property, rather than its potential value when building work is completed. He says Canada Life is in partnership with the valuer, which resulted in the undervaluation, and the valuation report is poor quality. He says he has – or will – incur further valuation fees applying for advances as parts of the work are completed.

Mr A says his mortgage was transferred by Canada Life to another provider in late 2023 without consulting him.

Our investigator said Canada Life instructed a suitably qualified valuer and was entitled to rely on its opinion.

Mr A didn't agree and asked that an ombudsman re-consider the matter. He said there was no need for lenders to instruct third party valuers, who he doesn't consider to be independent. He said this increases costs and causes delays. Mr A said Canada Life was an unreliable source of development funds and he's had a better experience with his new lender.

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.

When lenders decide whether to offer secured borrowing they need to assess the suitability of the property offered as security. Lenders don't always have the expertise to value properties so they instruct a suitably qualified valuer. Canada Life told Mr A it's required by its own funders to rely on the qualified opinion of independent chartered surveyors to assess the marketability and valuation of properties for lending purposes.

Canada Life instructed a firm which is regulated by the Royal Institution of Chartered Surveyors (RICS). I haven't seen evidence that this firm isn't independent of Canada Life. But in any case, there's no requirement that the valuer is independent of the lender.

Canada Life sent a mortgage offer to Mr A in 2018. This said he could apply for additional

secured borrowing. His eligibility for this would depend on the property value, loan balance, his age and the condition of the property at the time of application.

The mortgage offer issued in 2018 says Mr A's property was valued at £250,000 (this was also the price he paid for the property). When Mr A applied for the additional borrowing in 2023 he estimated the property value as £900,000. In the circumstances, I think it was fair and reasonable for Canada Life to instruct a new valuation. I'd expect Canada Life to instruct a suitably qualified valuer and I think it did. It didn't have to follow Mr A's directions as to who it did or didn't instruct. However, the surveyor that carried out the valuation had been named by Mr A in the application as acceptable. The surveyor was a member of RICS.

I don't think it's unfair or unreasonable for Canada Life to charge a valuation fee to a potential borrower. Mr A agreed to pay a non-refundable valuation fee when he submitted his application for additional borrowing.

The valuer said the property was in the process of being substantially extended and this work was about 75% complete. I think it's reasonable for Canada Life to base its lending decision on the value of the property at that time, rather than what it might be worth when the work is complete. Mr A says the valuation report is poor quality, with typos, sections he says were copied from other valuations and comparables he doesn't agree with. While I appreciate Mr A's frustration, this doesn't mean the valuation amount is incorrect. I'm not persuaded by the available evidence that it was unreasonable for Canada Life to rely on the valuation when making a lending decision.

Mr A can't see any benefit in Canada Life instructing valuations – just the opposite as he paid a valuation fee and the valuer didn't agree with his own view of the property value. But the valuation was carried out for the benefit of Canada Life to help it make a lending decision, not for Mr A's benefit.

Canada Life transferred a portfolio of mortgages, including Mr A's mortgage, to another lender in late 2023. The application form submitted on behalf of Mr A in 2018 said that it could do this without reference to him. The application form for the further advance submitted on behalf of Mr A in 2023 also said this.

I think Canada Life had made Mr A aware that it could transfer his mortgage without consulting him. It notified him when it did this.

Having considered all of the above I don't think it's fair and reasonable in the circumstances to require Canada Life to refund any fees, pay compensation or take further steps regarding this complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 September 2024.

Ruth Stevenson
Ombudsman