

The complaint

Mr B and Miss K complain about what happened when they asked Bank of Scotland plc trading as Halifax to port their existing mortgage to a new property. The valuation for the new property was much lower than they expected, and they thought the valuer had got it wrong.

What happened

Mr B and Miss K wanted to complain about Halifax, and its appointed valuation company. They said they were in the process of purchasing a property, and wanted to port their existing mortgage with Halifax. But they said the valuer instructed by Halifax said the property was worth almost £100,000 less than a valuation given by an independent valuer that Mr B and Miss K paid for, and the valuation offered by the estate agent. They told us they'd also received another lender valuation, which did fall short of the figure given by their own valuer and the estate agent, but by much less. Mr B and Miss K thought the valuer instructed by Halifax had got it wrong.

Mr B and Miss K said the valuer Halifax used didn't seek comparables from the estate agent handling the sale, and they didn't know if the valuer had spoken to any other local estate agents for comparables. They said they appealed, but they didn't think Halifax had handled things properly. They said the response they got was generic and lacked detailed reasoning.

As a result of this, Mr B and Miss K said they had to move their mortgage elsewhere, and paid over £4,000 in Early Repayment Charge ("ERC"). Mr B and Miss K didn't think they would have had to pay that if the valuation had been accurate and fairly conducted.

Mr B and Miss K said they complained, but Halifax didn't think anything had gone wrong, although they said Halifax wasn't transparent, wasn't able to tell them what the valuer had looked at, or which comparables were used, and wasn't even able to reassure them that the individual who conducted the valuation was a qualified valuer.

They wanted our service to investigate. They thought we should tell Halifax that it should pay back the ERC it had charged them.

Halifax didn't think it had done anything wrong. It said it wouldn't set out in the sort of detail that Mr B and Miss K wanted, how this valuation had been done, because its lending and valuation criteria are commercially sensitive. But it did say that it had instructed a properly qualified person to carry out the valuation of the property Mr B and Miss K wanted to purchase. And Halifax was satisfied with the outcome.

Halifax acknowledged that Mr B and Miss K had appealed against the valuation. It said it had shared the comparable properties and the survey that Mr B and Miss K had commissioned with its valuers, but although the details they provided had been taken into account, the valuation property figure remained unchanged. So Halifax couldn't lend them as much as they wanted, on this particular property.

Halifax noted that Mr B and Miss K had then asked for the ERC to be waived, but it didn't think it had made a mistake here, so it wouldn't waive that charge.

Our investigator didn't think this complaint should be upheld. He didn't think Halifax had acted unfairly. He said lenders have to be sure a property is suitable security for a mortgage before they can issue an offer. Halifax doesn't have the expertise to value property, so it engages a third party to do this. Our service does expect Halifax to instruct a suitably qualified person, but here, Halifax had, and it had confirmed this in the complaint response letter it sent to Mr B and Miss K.

Our investigator said he understood why Mr B and Miss K were unhappy with the valuation, but he thought Halifax handled those concerns fairly. Their appeal against the valuation was considered, but the valuer didn't change their mind, and Halifax continued to rely on that valuation.

Our investigator said Halifax is entitled to set its own lending and valuation criteria. All lenders do that, and not all lenders have the same criteria so there can be differences between different lenders. Our investigator said he wouldn't expect Halifax to share all of this, as it is commercially sensitive information. He didn't think it was unfair for Halifax to say it wouldn't offer more details here.

Our investigator also said he couldn't say Halifax should refund or waive the ERC. Mr B and Miss K's offer from January 2024 shows porting the mortgage to a new property wasn't guaranteed, it was only possible when the property met Halifax's lending criteria and assessment at the time of application. And that same offer said Mr B and Miss K would need to pay an ERC if they repaid their lending early.

Mr B and Miss K replied to disagree. They said they were still concerned there were significant discrepancies between the valuations they'd received from Halifax and the one provided by their independent surveyor, who agreed with the estate agent handling the sale. Mr B and Miss K sent a list of ten properties they said were comparable, and which they felt showed the property they wanted to buy had been undervalued by the valuer commissioned by Halifax. They also said that Halifax had offered no detailed information about the specific comparables or methodology used by its valuer, and they said this lack of transparency made it difficult for them to understand or challenge the basis of the valuation effectively.

They stressed that Halifax's decisions had left them with no choice but to go to another lender, which cost them over £4,000 in ERC, and they'd also paid the costs of an independent valuation. They still wanted Halifax to pay back the ERC.

Mr B and Miss K wanted their 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.

I think it's important to reiterate here that our service doesn't have jurisdiction over survey firms and valuers. So all I can look into, in this complaint, is the actions of Halifax. I cannot directly question the professional judgment of a valuer, and this complaint doesn't provide a second avenue of appeal against the valuer's decision.

I stress this, because it appears to me that the core of this complaint is about the decision a valuer reached, on the mortgage value to place on the house Mr B and Miss K wanted to buy. Mr B and Miss K said they wanted our service to do a thorough review of the valuation. They have sent our service details of ten comparator properties, only one of which is the same as the three properties they asked the valuer to consider when they appealed against this decision through Halifax. So I want to be clear from the outset that I cannot look at those comparators, and reach my own view on an appropriate valuation. I can only look at what Halifax did here.

Halifax doesn't have its own expertise on property values. So what it does, when it's asked to lend on a property, is to ask a valuer for their professional opinion. Our service does expect that Halifax will use an appropriately qualified person to do that. Although Mr B and Miss K said Halifax hadn't been able to reassure them on this point, I can see that Halifax said in its final response letter that the valuer was a member of the appropriate professional body. And I have confirmed that's the case.

Mr B and Miss K also said that there was very little in the way of detail, resulting from the valuation, so that they could understand the reasons for the decision reached. I do think that this valuation is in keeping with other mortgage valuations I have seen, and I don't think Halifax would, or should, have expected more here to explain the decision reached.

Mr B and Miss K then appealed against the valuation. They supplied details of three properties. Halifax passed these to the valuer, and he said he had considered them, but in short his view remained unchanged.

I think it's worth noting here that although Mr B and Miss K have argued strongly in support of the valuation figure they received from their own surveyor, which was around £90,000 more than the figure the valuer working for Halifax gave, they had apparently agreed a purchase price which was considerably below the valuation they have argued for. They had agreed to pay a sum around halfway between the valuation Halifax adopted, and the valuation Mr B and Miss K commissioned themselves. I don't think Halifax had to prefer Mr B and Miss K's valuer's figure here.

I realise that Mr B and Miss K will be very disappointed by this. They've pointed to the large gap between the valuation they received and the valuation done for Halifax, to suggest that something must be wrong here. But the valuation Halifax obtains is for rather different purposes, and that difference does have an impact on value.

Halifax didn't seek a valuation for sale purposes. What that valuer was doing was something quite specific - assessing whether Halifax should lend money on the property, and if so, how much. In the worst case scenario, if something prevents a borrower from paying their mortgage, lenders want to know that they can sell the mortgaged property. However unlikely that worst case scenario might seem now, it's still important for Halifax to know what price the property might achieve if it had to be sold relatively quickly. That's because if someone's not able to pay their mortgage and the property the mortgage is secured on needs to be sold, the borrower's debt keeps rising while the property's waiting to sell.

What this valuer did, was to look at the area this property is in, consider the criteria that Halifax has asked them to bear in mind, and reach a decision on the value of this property. Mr B and Miss K challenged that view, so Halifax passed that information to the valuer, but ultimately the decision didn't change. I'm sorry to have to tell Mr B and Miss K that it's not then unreasonable for Halifax to continue to rely on the expert opinion it obtained.

Mr B and Miss K said if Halifax wouldn't lend them the money they wanted on this property, then it should waive the ERC that applied to their lending, to let them take out a different mortgage somewhere else.

I've seen that Mr B and Miss K were appropriately alerted to this ERC, when they took out their new fixed interest rate in early 2024. An ERC is a standard part of a fixed interest rate on a mortgage, and it allows lenders to ensure that they will still recover the costs of lending, if someone redeems a mortgage before that fixed interest rate period ends. Financial services rules mean that the ERC isn't just a windfall for lenders. It has to be a reasonable pre-estimate of the costs incurred to the lender as a result of borrowers paying their mortgages back early. I don't think it would be fair and reasonable here, to ask Halifax to bear those costs, instead of recovering them from Mr B and Miss K, because they weren't able to extend their borrowing in the way they'd hoped.

I know that Mr B and Miss K will be disappointed, 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 B and Miss K to accept or reject my decision before 24 March 2025.

Esther Absalom-Gough
Ombudsman