

The complaint

A partnership which I will refer to as 'B', complains, in summary, that Lloyds Bank Plc did not adequately assist them when they were confronted with differing valuations of their property by different valuers appointed by Lloyds. They say that they have suffered financial loss as a result.

What happened

The background to the complaint is known to both parties and so I won't repeat it at length here.

Briefly, as I understand it, B approached Lloyds in 2019 for a mortgage. Lloyds asked that B's property be valued by one of the valuers from the bank's panel. The valuer – who I will refer to as the 'first valuer' – came up with a valuation, which the bank used in its decision to lend to B.

In late 2021 / early 2022, B approached Lloyds again for a re-mortgage. Lloyds offered them a choice of valuers from the panel. B chose a valuer – who I will refer to as the 'second valuer'. In February 2022 the second valuer came up with a valuation which was about £230,000 less than the value estimated by the first valuer. It appears that the difference in the valuations was essentially due to a difference in the measurement of the floor area of the property. The second valuer had estimated a lower floor area.

Lloyds said that the second valuation appeared to be 'more detailed / robust'. However, it agreed that a remeasure would be helpful. It proposed that a third, independent valuer from the panel be appointed to either (1) carry out a new measurement of the floor area only or (2) carry out a full valuation.

The bank told B that if option (1) was chosen the cost would be lower. However, if the remeasured floor area turned out to be roughly the same as that calculated by the second valuer, then the valuation of the second valuer would be kept. But if there was a discrepancy, the second valuer's invoice (for the work done) could be disputed, and they could be asked to do a second valuation. However, if option (2) was chosen, the cost would be higher, but the valuation produced by the third valuer would be kept.

It appears that after discussions with B, option (1) was chosen. The bank, at its cost, asked a third valuer to carry out the measurement of the floor area. Unfortunately, the estimate came in between the figures estimated by the previous two valuers. As such the issue wasn't quite resolved fully. From what I can see, it appears that the bank then went back to the second valuer who reconfirmed their valuation. Following this it seems that the bank decided to keep the valuation produced by the second valuer for re-mortgage purposes.

B did not proceed with the re-mortgage. They complained to Lloyds about the differing valuations. B said that Lloyds was responsible for the over-estimation of the floor space by the first valuer. They said that this resulted in them taking on a mortgage in 2019 which was

higher than suitable. They also said that they relied on this inaccurate valuation and made incorrect capital payments to retiring partners.

The bank did not accept B's complaint. It said, in summary:

- The bank is not a professional valuer and so when it needs a valuation for its purposes, it obtains a valuation from a valuer in its panel, which it is entitled to do under the terms of borrowing.
- It was willing to provide the mortgage in 2019 based on the valuation given by the first valuer. It is not responsible if B used that valuation for their own purposes. Any other intended use should have been agreed with the valuer directly and if any issue arose later that would have to be dealt with directly with the valuer.

One of our investigators considered the complaint. When the complaint was being reviewed by the investigator, B wrote to us that they had a visit from their (NHS) district valuer to carry out a notional rent review. B told them about the issue of different measurements by the valuers in the bank's panel. However, the district valuer advised B that they were happy with the sizes they had previously taken (which was closer to what the first valuer came up with).

The investigator put this new information to the bank. The bank said it would look into it and see what it could do but insisted that it was not something the bank could answer and its position on the complaint remained the same in any case.

Following this, the investigator concluded that the complaint could not be upheld. They said that it is not unreasonable for Lloyds to rely on the opinions of qualified professionals when making decisions about mortgage applications. However, the valuation provided was for the bank's use only as part of the lending applications. It shouldn't be used for other purposes without prior permission. If B had any concern about the survey, they may be able to take it up with the valuer's appropriate regulatory body.

B did not agree. Their point was that they had no choice but to rely on the panel of valuers provided by Lloyds, for valuation purposes. Different valuers from that same panel provided different measurements. So, firstly Lloyds is responsible for this anomaly and secondly it has a responsibility to help B to sort this matter out.

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.

As the investigator has said, the bank is entitled to rely on qualified professionals for valuation. It seeks that valuation in order to provide it with the information it needs to assess a lending request. And ultimately it is for the bank to decide the extent of the mortgage it is willing to provide.

That said, I understand B's submission that they had to use the valuers from the bank's panel and if those valuers came up with different valuations the bank should do something about it. This is especially when the difference has arisen due to the physical measurement of the floor area. I agree that in such circumstances it is reasonable to expect the bank to clarify this anomaly with the valuers.

Considering what had happened over time, I am satisfied that the bank acted reasonably in this regard. When the second valuation produced a different set of results, in consultation with B they appointed another – third independent valuer – to do the survey. I think it is reasonable to appoint a third independent valuer given the discrepancy between the first two valuations. The bank also acted reasonably in bearing the cost of this survey. Unfortunately, the third valuer produced a figure which was in between the first two.

As I said, ultimately it is for the bank to decide how much mortgage it is willing to provide. In the circumstances, having tried to address the anomaly, if in the end the bank chose to take a conservative approach, I can't say it acted unreasonably. It took few months to get to this stage, but I am satisfied that the bank was attempting to address this issue during this period.

This however prompted B's complaint that the mortgage they got in 2019 was larger than it should have been and in particular that they relied on that valuation to settle capital payments to retiring partners. However, the valuation was for the bank's purposes only, and I can see that this was made clear by the valuer in their initial report of 2018.

Nevertheless, I can see that this complaint point was effectively resolved later. In early 2023 the district valuer visited the business to carry out a notional rent review. At the time I understand that the district valuer was informed of the lower measurement by the second valuer. Despite this, they confirmed that they were happy with the sizes they had previously taken for the 2019 review – and this figure was closer to the one produced by the first valuer.

The bank was advised of this development. I think the fact that despite being advised of the lower measurement by the second valuer, the district valuer was still happy with their figures would have given some comfort to the bank.

The bank then asked the first valuer to re-value the property at its cost, and it eventually accepted the valuation produced by them which in fact was slightly higher than the figure in 2019. As such I consider that B's complaint that it relied on an incorrect valuation in 2019 had fallen away. I also see that the bank is willing to provide the mortgage with what it says a reduced rate of borrowing. So, whilst the bank took a conservative approach in 2022, I consider that it reacted reasonably following the subsequent development.

B now say that they would have got a much more favourable rate of borrowing if the issues of 2022 had not occurred and were they able to borrow at the rates available in early 2022 as intended. Whilst it is unfortunate that these issues arose in 2022, as I have already explained, I can't say that it was the fault of the bank.

B is also unhappy with the way the bank handled their complaint. However, we do not have the jurisdiction to consider a complaint about the bank's complaint handling. Our powers to consider complaints are set out in Financial Services and Markets Act. The rules that govern our complaints are set out in the Dispute Resolution (DISP) section of the Financial Conduct Authority's Handbook DISP 2.3 sets out which activities fall within this Service's compulsory jurisdiction which includes 'regulated activities'. Complaint handling isn't a regulated or other covered activity. This means that the way in which Lloyds dealt with the complaint isn't a matter I can look at. I appreciate this might seem like a technicality, but we are bound by our rules. I simply don't have the power to consider a complaint about something that isn't covered by the rules.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 18 December 2023.

Raj Varadarajan
Ombudsman