

The complaint

W, a limited company, complains Cumberland Building Society wouldn't offer it mortgage lending on a property, due to comments from its valuer about the size and resale prospects of the property. Mr M brings this complaint on behalf of W.

What happened

Mr M told us that he'd applied on behalf of W to take out a mortgage with Cumberland on a residential property. He said W paid the valuation fee of £440, and a valuer visited. But the valuer's report said "*re-sale prospects are extremely limited*" for the property, due to its size, which the valuer said was fractionally under 30 square metres.

Mr M said that given the property's location, it was wrong for Cumberland to question the resale prospects. And he said considering the loan to value W was applying for, there was little risk for the lender. Mr M said that aside from the valuation, there was nothing standing in the way of Cumberland lending to W.

Mr M said he wanted to formally complain about the valuer involved. He wanted Cumberland to pay back the fee it had taken, because it didn't tell him there was a minimum floorspace requirement for its lending. And he wanted compensation of £10,000 for loss of earnings, time and opportunity cost due to arbitrary decision-making by Cumberland, reliant on an unquestioning acceptance of a convoluted opinion propounded by an ill-informed valuer.

Cumberland didn't think it had done anything wrong. It said that when W applied for this mortgage, Mr M signed on its behalf, acknowledging that both it and the valuer wouldn't accept responsibility to W for the valuation report. Cumberland also said the same application had made clear that the valuation fee was not refundable.

Cumberland said it had instructed an independent valuer who was a member of the appropriate professional body. And its underwriters then made a decision, based on the report provided by the valuer, not to lend to W. Cumberland said it had no basis on which to question the report provided on its behalf. So Cumberland wouldn't refund the valuation fee, or pay W compensation.

Our investigator didn't think this complaint should be upheld. She said that our service cannot consider a complaint about what the valuer did. Valuers aren't covered by our service. So we can only look at what Cumberland did in this case.

Our investigator said Cumberland had instructed an independent and appropriately qualified valuer to value the property. That valuer had reported what, in their opinion, was the property's value and resale ability. Our investigator said that Cumberland is entitled to rely on what the valuation report says to decide whether to lend the money W asked for.

Our investigator said she understood Mr M didn't agree with the valuer's conclusions, but she didn't think Cumberland had any reason to doubt or question the valuer's competency. So, it did nothing wrong in relying on the valuation report. Our investigator said Cumberland

had explained that the valuation fee was non-refundable, and its purpose was to help Cumberland with its lending decision. So she didn't think Cumberland had to pay that back.

Our investigator didn't think Cumberland treated W unfairly or unreasonably when it declined this mortgage application. And she didn't think it needed to do anything more.

Mr M replied on behalf of W, saying he wanted to appeal. He said Cumberland hadn't told W during the application that size of the floorspace of the property was a prerequisite, or that a smaller floorspace would lead to the application being rejected just for that reason. He said that although Cumberland said it didn't have a minimum size criterion, the application was rejected precisely on this basis. And he said it was remarkable to suggest a property in this location wouldn't sell for 70% of the valuer's valuation.

Mr M said lenders are supposed to set out the criteria for lending in advance of an application being made, and Cumberland hadn't done that.

Our investigator didn't change her mind. She said Cumberland assessed the property's suitability for lending. She didn't think Cumberland would have to set out all of its lending criteria before W applied. And here, she didn't think Cumberland did have a minimum size criteria for lending. She said Cumberland turned down the lending based on what its valuer said about resale, and she still thought Cumberland was entitled to rely on that.

Mr M said he'd had the property measured by another consultant, who said it was larger than Cumberland's valuer said. This case was then 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.

Our investigator has explained to Mr M that we cannot consider what the valuer did in this case. That's right - our service doesn't deal with complaints about valuers, so I cannot consider whether this valuer's conclusions were right or wrong. All I can consider is whether it was reasonable for Cumberland to rely on what that valuer said, and whether, in the light of the valuation it received, it has reached a fair and reasonable decision.

Banks and building societies aren't experts on the value of properties. So they often source that expertise elsewhere, and commission advice, before they make lending decisions. And in this case, I'm satisfied that Cumberland appointed an appropriately accredited valuer to inspect this property. So my starting point is that it would be reasonable for Cumberland to rely on the advice it received here.

I know more recently, Mr M says he's had the property measured again, and that consultant reached a different conclusion about its size. But I can't say that Cumberland should have challenged the valuation report it received, because of this. That's because I haven't been able to see that Mr M told Cumberland about this at the time. So I don't think Cumberland had any reason to consider the valuer's decision was flawed, when it received the decision.

I think that Cumberland then considered this report, and decided not to lend using this property as security. And I think it based that decision on the advice it had received about the size of the property and particularly how this would affect its resale prospects.

I understand that Mr M is adamant that Cumberland has rejected the mortgage application secured on this property on the basis of the property's size. And he says that's not fair, because Cumberland didn't tell him that one of its lending criteria was the size of the property, before he made this application for W. But I don't think Cumberland had to tell Mr M that. That's simply because I don't think Cumberland does have such a criterion.

As I set out above, I think that Cumberland considered the valuation report it received. It considered the views expressed there about the size, and most importantly, about how this affected the resale potential of the property. And it decided not to lend.

Mr M says that there's no way this property would sell for less than W was asking to borrow, 70% of the valuation. But what Cumberland does, when it decides whether to lend, is to assess the risk to it, if the worst case scenario transpires and W isn't able to pay the mortgage. That risk isn't just in what a property might eventually sell for. It's also how long it might take to sell – which is affected by the resale prospects for the property. And here, because Cumberland was told this property had extremely limited resale prospects, I think it was entitled to decide this property wasn't something that it wants to use as security for lending. That's not an unfair or unreasonable conclusion for Cumberland to have reached.

Cumberland said it made clear before the application that the valuation fee wasn't refundable. Mr M doesn't appear to me to have challenged that. And I haven't seen anything in this case to make me think that Cumberland has to pay this fee back.

I haven't been able to see that Cumberland has dealt unfairly or unreasonably with W's mortgage application. So, although I know Mr M will be disappointed, I don't think it has to pay W any compensation. And that means that W's complaint won't be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 6 September 2023.

Esther Absalom-Gough

Ombudsman