

The complaint

Mr and Mrs S complain that Legal and General Assurance Society Limited (L&G) would not give them a lifetime mortgage because it incorrectly identified that their home was a flood risk.

What happened

In May 2022, on the recommendation of a mortgage broker, Mr and Mrs S applied for a lifetime mortgage with L&G. But L&G declined the application. It said that the property had failed its flood risk assessment. Mr and Mrs S said that the property was not in the correct zone – and provided evidence that some publicly available information about the flood risk to their home was wrong. L&G reviewed its decision and wasn't prepared to change it.

The investigator did not think the complaint should be upheld.

Mr and Mrs S did not accept what the investigator said. They said they'd provided evidence their home is not at risk of floods. It was unfair for L&G to hide behind the "tool" it uses. The investigator was wrong to accept what L&G said at face value. L&G had declined the application because they'd previously complained about it.

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.

L&G has a wide discretion about who it lends to, the terms on which it lends and the type of properties that are acceptable to it. It is not for me to interfere in such decisions. But I can look at whether it reached the decision in this case fairly and reasonably.

I thank Mr and Mrs S for all of the information they have provided, which shows the current flood risk for their home. I can see why based on that information they believe that there is no flood risk or any risk is negligible.

I'd note there is a difference between there being a risk that Mr and Mrs S's house will flood and their home being in a flood risk area. I believe L&G is saying that it considers the property is in a flood risk area. But that is a good enough reason for it to decline the application. As I said, it is for L&G to decide what properties it is prepared to lend against. And I can see why a property that was in a flood risk area – even if the building itself was not at risk – would be a risk that a mortgage lender might find unacceptable.

L&G has told us that it uses a third-party system to assess flood risk. It said the system is used by other insurance companies and mortgage lenders. The system takes into account various different sources of flood data and forecasts. It then produces a score, which estimates the likelihood of flooding. It is reasonable for L&G to carry out such checks and use this system. I say that because flooding may affect the value of its security. And that might be the case if the property is in an area that is susceptible to flooding.

I consider it is reasonable for L&G to use such a system to check whether a property is in a flood risk area. It goes further than the publicly available data that Mr and Mrs S have referred to. And Mr and Mrs S have provided evidence that the tool used by L&G is produced independently of that data. While Mr and Mrs S might think that L&G are being overly cautious, that is its decision to make.

L&G have provided evidence that when it entered the information for Mr and Mrs S's property into the tool that resulted in a result that showed a "very high" likelihood of the property being in a flood risk area. L&G has also shown that its policy is to decline applications where the property falls into this category.

I can't see that L&G made any error in using the tool. So it was reasonable to make its decision using the tool's result. I note the surveyor that valued the property also said that the property was in a flood risk area and that may affect saleability and limit market demand.

I have not seen any evidence that the decision to decline the application related to any complaints that Mr and Mrs S have made. Nor is there any evidence that L&G discriminated against Mr and Mrs S in any way.

Overall, I consider that L&G has acted fairly and reasonably in reaching its decision to decline Mr and Mrs S's application. I can't see that it made any mistakes in reaching its decision and it was a reasonable decision based on the information it had.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Ms S to accept or reject my decision before 3 August 2023.

Ken Rose
Ombudsman