

The complaint

Mr S complains that Bank of Scotland plc trading as Halifax charged him a fee for a valuation, as part of his new mortgage application. It then turned him down, because of the property's service charge. Mr S said Halifax knew about that before he paid the £100 fee.

What happened

Mr S said he was pursuing a mortgage application with Halifax, and as part of that he paid a £100 fee. Mr S said Halifax knew how much the annual service charge was for the property, before he paid this. And the valuation said Halifax shouldn't lend on the property, because of that. So Mr S said Halifax had charged him for a valuation, although it already knew the response would be a refusal.

Mr S wanted his £100 back.

Halifax said it will only lend on a property once it has been approved by a surveyor or valuer that Halifax instructs. Although it knew about the level of the service charge on the property Mr S wanted to buy before it instructed the valuer, Halifax doesn't have guidance on service charges which mean that such applications will always be refused. Rather, it relies on the professional opinion that the valuation provides. Halifax said it only uses valuers and surveyors who are registered with the appropriate professional body.

Halifax said here, the valuer did think an annual service charge of £1,900 was unreasonably high, and could affect the future saleability and marketability of the property. So Halifax wouldn't lend.

Halifax said the fee wasn't refundable unless the valuation was cancelled in advance. And that was explained in the mortgage illustration. So it wouldn't pay Mr S his money back. It would consider lending on a different property, if Mr S wanted to explore that.

When this case came to our service, Halifax said it couldn't have decided to turn down this application based solely on the information Mr S had supplied before the valuation was done. It did rely on the expert report it received.

Our investigator didn't think this complaint should be upheld. She said Halifax instructed a valuer. It charged £100 for that, in line with the information in Mr S's mortgage illustration.

Our investigator understood that Mr S said the bank already had information about the service charge, so should have rejected the application right away. But our investigator wanted to stress that Halifax itself doesn't assess the value of a property, or the chances of it selling in future. It relied on an expert for the property valuation, as it doesn't have this expertise itself.

Our investigator said she could see that Halifax had instructed a properly qualified person, and that's what we would expect it to do. The valuation fee was paid, and was clearly non-refundable, so she wouldn't ask Halifax to pay it back.

Mr S said he disagreed with the outcome because he felt Halifax had charged him for the appraisal while being fully aware that it already had grounds to reject the application. Mr S said it had acted maliciously.

Mr S wanted his 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.

Halifax has stressed that it doesn't make the decision itself on whether a property provides good security for the money it's going to lend on it. It doesn't have the right sort of expertise itself, to do that. It asks an expert to provide an assessment. So, whilst Halifax may perhaps have been able to take a view on whether it was more or less likely that Mr S's application would be unsuccessful because of the level of service charge here, it would, at best, be offering a guess about the likely outcome.

Here, Halifax doesn't appear to have been asked about that in advance, and it didn't offer an unprompted guess on whether the valuation was likely to be successful. I don't think it was unfair or unreasonable for Halifax not to do that. Instead, it asked an expert on property valuations for his opinion on the property. And it had already made clear to Mr S that this would cost £100, which wasn't refundable. I don't think Halifax acted maliciously here.

I can see that Halifax did instruct a valuer with membership of the appropriate professional body. That's what I'd expect it to do.

Once Halifax received that expert view, it was clear that it wouldn't be able to lend on the property, and it communicated that to Mr S's broker. It has said it's happy to consider a mortgage application from Mr S for another property, but it won't lend on this one. And, because Mr S's broker asked for the survey to be carried out, and it was carried out, Halifax won't refund the money.

I can see that the illustration that Halifax provided before the valuation was done, made clear that this fee wouldn't be refundable once the survey had been done. In the circumstances of this case, I don't think it's unfair or unreasonable for Halifax to stick to what's set out in that illustration, and say it won't give this fee back. So I'm sorry to have to tell Mr S that I don't think his 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 S to accept or reject my decision before 23 April 2024.

Esther Absalom-Gough
Ombudsman