



Case study: Banking

MORTGAGE VALUATION FEE NOT REFUNDED WHEN MORTGAGE APPLICATION WAS NOT ACCEPTED

Themes: Valuation fee; process and procedures; mortgage application

A bank refused to refund a property valuation fee when the complainant's buy-to-let mortgage application was declined.

In November 2020, Mrs E submitted a mortgage application to her bank for the purchase of a new property. The bank formally approved the buy-to-let mortgage, subject to a valuation and rental income confirmation. The bank instructed Jersey Residential Valuation Services (JRVS) who instructed a valuer from the bank's panel of valuers, to complete the valuation and rental income confirmation for the property at a cost to the applicant borrower of £400.

Mrs E signed a mortgage declaration, stating that payment of the valuation fee would be made, regardless of whether the mortgage completes (i.e., the mortgage application was accepted). The bank had also told Mrs E that the only valuation they were able to accept was a bank instructed valuation and not a customer's own-obtained valuation. The valuation and rental income confirmation were returned but confirmed the buy-to-let property Mrs E wished to purchase would not yield the rental income required to cover the mortgage. The bank therefore rejected Mrs E's mortgage application.

Mrs E complained to the bank and requested a refund of the £400 valuation and rental income confirmation fee. The bank said that they were unable to approve the mortgage following the outcome of the valuation as they were advised by the valuer that the rental income would not meet the requirements of the requested mortgage. This meant that the bank's affordability policy for a loan of this size (net disposable income) would not be met. The bank confirmed to Mrs E that they were unable to refund the valuation cost as they had formally approved the mortgage application based on different information received from Mrs E.

Mrs E took her complaint to CIFO saying that she was not given an opportunity to obtain a second valuation and requested the valuation fee of £400 be refunded, plus interest on that fee, along with compensation for the inconvenience caused in the form of a grocery store voucher valued at £100.

CIFO investigated and found that the bank had followed their process and procedures correctly. CIFO also noted that Mrs E had understood the terms of the agreement by signing a declaration that the fee would need to be paid irrespective of whether the mortgage was completed. The bank had also sent an email re-iterating that the formal mortgage approval was subject to the valuation and rental income confirmation. Finding no error on the part of the bank, CIFO did not uphold Mrs E's complaint.