DRN-2136944

The complaint

Mr and Mrs G complain that an appointed representative of Quilter Mortgage Planning Limited mis-sold their mortgage. The complaint has been brought by a claims management company on Mr and Mrs G's behalf, and they've said Quilter didn't adequately assess the suitability of consolidating unsecured debts.

I'll refer to the business as Quilter throughout this decision, and that should be taken to mean the individual mortgage broker where appropriate.

What happened

In 2010, Quilter recommended that Mr and Mrs G should take a mortgage of £100,000 (later reduced to £98,800 due to their property being downvalued) on a repayment basis with a 15-year term. The purpose of the mortgage was to consolidate unsecured debt.

It was recorded on the fact find that Mr and Mrs G had a £51,500 mortgage (with a "closed book" lender) that wasn't subject to an early repayment charge (ERC) and their unsecured debts were as followed:

- £2,451 personal loan with 1 year 4 months to run, at an interest rate of 8% and a monthly payment of £156.
- £7,026 personal loan with 4 years 3 months to run, at an interest rate of 9% and a monthly payment of £174.
- £11,000 personal loan with 4 years 9 months to run, at an interest rate of 7.5% and a monthly payment of £201.
- £15,704 personal loan with 6 years 4 months to run, at an interest rate of 8% and a monthly payment of £199.
- £3,563 credit card at an interest rate of 13.5% to which Mr and Mrs G were paying £100 a month.
- £5,383 credit card at an interest rate of 12.5% to which Mr and Mrs G were paying £200 a month.
- £5,765 credit card at an interest rate of 12.5% to which Mr and Mrs G were paying £600 a month.

The claims management company said:

> *"Our clients were not in difficulty at the time of the advice. All payments were being made on time and were affordable.*
>
> *This case was referred to us by a third party introducer who is another CMC. That CMC dealt with a PPI claim for the consumers for this same piece of finance. The issues of concern giving rise to the complaint were identified during the PPI assessment as an incidental matter. When this was brought to the consumers' attention, they were unaware that any potential detriment had been sustained to start a previous path of enquiry. At this point, they confirmed that they wished to bring a complaint and were introduced to ourselves to manage this."*

Our investigator didn't think the complaint should be upheld. She didn't think Quilter had given Mr and Mrs G unsuitable advice about consolidating debt. The claims management company didn't agree and so it has been passed to me to decide.

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.

Quilter was giving Mr and Mrs G mortgage advice. So it was required to take reasonable steps to gather information about Mr and Mrs G's needs and circumstances and recommend a mortgage that was suitable for them based on that.

The relevant rules at the time (MCOB 4.7.6) said that where a business recommends a mortgage to consolidate existing debt it must take account of the following, where relevant:

> *(1) the costs associated with increasing the period over which a debt is to be repaid;*
>
> *(2) whether it is appropriate for the customer to secure a previously unsecured loan; and*
>
> *(3) where the customer is known to have payment difficulties, whether it would be more appropriate for the customer to negotiate an arrangement with his creditors than to take out a regulated mortgage contract.*

The claims management company has told us that Mr and Mrs G didn't have payment difficulties, so Quilter didn't have to consider whether they should negotiate with their creditors instead.

In relation to the first two points, Quilter issued a letter to Mr and Mrs G on 31 August 2010 that set out the reasons for the recommendation that had been made. That said:

> *"You are consolidating your existing financial commitments, you should therefore be aware that whilst this may mean you will make short term savings, over the long term, you may end up paying more. This is because you may be extending the period of the loan. You are also transferring previously unsecured debts to a mortgage which is secured on your home. The reason you want to consolidate your existing debts is you want to reduce your monthly outgoings to an easier manageable amount. I have explained the above facts and you are satisfied that you would prefer to clear your unsecured debt to reduce the monthly outgoings.*

Mr and Mrs G had a large amount of unsecured debt in relation to their annual income – and that took up a significant proportion of their monthly income. The unsecured debts totaled around £50,000 with monthly payments of £1,630. Once added to their mortgage payments they were paying out over £2,000 a month. The new mortgage arranged by Quilter reduced that to around £800 a month.

I can see why there was a desire for Mr and Mrs G to rearrange their debt on to a more affordable basis. And although there was the risk of securing that debt and increasing total costs – the monthly saving was significant. It isn't clear whether Quilter took into account the risks of debt consolidation. But there was a significant benefit to Mr and Mrs G which I think in the circumstances outweighed the risks.

After carefully considering the information available to me, I think it would be difficult for me to say that Quilter acted unfairly or unreasonably in recommending debt consolidation in the circumstances here.

I understand Mr and Mrs G paid an ERC to come out of their previous mortgage early, but I can't hold Quilter liable for that as the evidence shows Mr and Mrs G told the adviser that there wasn't an ERC. The adviser was entitled to rely on the information given by Mr and Mrs G as being correct, and so the payment of the ERC isn't something I can hold Quilter liable for.

Having looked at the information we have and what we know about Mr and Mrs G's circumstances, I consider that it was reasonable for Quilter to recommend the mortgage it did.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 1 March 2021.
Julia Meadows
Ombudsman