

The complaint

The estate of Mr M complains that TenetLime Ltd gave unsuitable advice to Mr M to remortgage his property.

What happened

Mr M met with a broker authorised by TenetLime in November 2018. A residential mortgage questionnaire was completed which showed Mr M was retired and the owner of an unencumbered property. The questionnaire said Mr M was looking to remortgage his property to raise funds for debt consolidation and home improvements. It said Mr M had personal debt due to starting home improvements and purchasing a new car.

TenetLime recommended a capital and interest repayment mortgage for around £52,000 over a six-year term, on a five-year fixed rate of 1.94%. TenetLime applied to the lender on behalf of Mr M for a mortgage as outlined.

TenetLime provided Mr M with a suitability report dated 30 November 2018. It recorded Mr M's monthly income and expenditure and said Mr M was left with a disposable monthly income of roughly £950 to cover the new mortgage and associated costs.

The broker recorded that Mr M had unsecured debts of over £60,000 with interest rates between 2% and 17.9% - but that included a car loan of over £35,000 that was not to be consolidated.

The suitability report outlined Mr M's current monthly payments towards his credit commitments and estimated they would be repaid in approximately seven years at a total of over £40,000. The suitability report said by consolidating Mr M's unsecured debt into a mortgage, the debt would be repaid over six years at just under £30,000, saving Mr M roughly £11,000. TenetLime calculated this would save Mr M around £28 each month. The broker didn't recommend Mr M consolidate his car finance due to it having high penalties on redemption which would significantly increase the costs of this debt.

In December 2018, TenetLime wrote to the lender to say Mr M intended to clear the car finance loan and wanted to increase the mortgage amount to the maximum loan affordable. The lender said that the increase available wasn't enough to settle the car finance loan, and any further increase would fail its affordability checks.

TenetLime provided an updated suitability letter to Mr M on 13 December 2018 with changes to the recommendation. It recommended Mr M now consolidate all his debt including the car finance and reduce the amount of borrowing for home improvements. The broker calculated that Mr M would now save just under £8,000 by consolidating his debts, which would reduce his monthly outgoings and still allow for home improvements.

Another application was submitted by TenetLime to the lender for a mortgage of around £72,000 on the same fixed rate. The lender instructed a valuation of the property which was carried out on 16 January 2019. A mortgage offer was issued on 17 January 2019.

Mr M sadly passed away in 2023. The estate of Mr M has complained on his behalf to TenetLime. It said Mr M had received unsuitable advice to take the mortgage and that it wasn't affordable for him. The estate said Mr M was using credit cards for his essential goods and the mortgage was costing up to 50% of his pension. The estate thought TenetLime hadn't taken into account that Mr M was at the limit of his overdraft and maximum limit on his credit cards when he applied for the mortgage. The estate also questioned if adding the car finance loan to the debt consolidation was good advice. It complained that Mr M's reported income and expenditure didn't match his bank statements and it thought questions should have been asked when the valuation report said there wasn't access to the whole of the property due to excessive personal belongings.

TenetLime didn't agree with the estate's complaint. It said Mr M's income was in line with the evidence provided. It said the car finance loan was added to the debt consolidation as the lender wouldn't accept the application without it due to it being unaffordable. TenetLime said Mr M's monthly outgoings were reduced by the mortgage and at the point of his death his debt had reduced to £20,000. It said the lender hadn't raised any issue with the valuation, so it didn't discuss it further with Mr M.

The estate of Mr M didn't accept this and referred the complaint to our Service where one of our Investigators looked into the complaint.

Our Investigator didn't think the complaint should be upheld. He thought that there were some discrepancies between Mr M's bank statements and the outgoings used by the broker, but these weren't sufficient to make the mortgage unaffordable. Our Investigator thought the suitability reports showed there would be an overall saving by consolidating Mr M's debts and there was no evidence of Mr M missing payments or reaching the limits of his credit card.

The estate of Mr M didn't agree with our Investigator. It said, in summary, that there was no saving to Mr M as his unsecured debt had interest front loaded and he received no rebate on the interest when the unsecured debt was repaid. It said the additional costs to arrange the mortgage meant there was no saving to Mr M. The estate also thought more questions should have been asked by TenetLime about Mr M's spending habits.

As the estate of Mr M didn't agree with our Investigator, the complaint has been passed to me to consider and make 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 understand the estate of Mr M has also brought a complaint to our Service about the actions of the lender involved here. I will only be considering the actions of TenetLime in this decision.

TenetLime gave advice to Mr M in 2018, so I need to consider whether the advice was appropriate for Mr M based on the information available about his needs and circumstances at that time.

Mr M approached TenetLime as he wanted to reduce his monthly outgoings and raise funds for home improvements. So, I'd expect TenetLime to focus on these as priorities for Mr M when giving him advice. The estate of Mr M is concerned that the figures TenetLime used to establish if the mortgage was suitable for his needs were incorrect. It's important to establish that it was ultimately the lender's responsibility to ensure the mortgage was affordable for Mr

M. And the lender had a requirement to carry out affordability checks before approving this mortgage. But TenetLime had a responsibility to ensure its advice was suitable for Mr M's circumstances and would achieve his goals. It still needed to consider if the mortgage was affordable to Mr M when deciding if the mortgage was suitable.

TenetLime completed a fact-finding questionnaire and gathered evidence of Mr M's income and expenditure to establish his current circumstances before giving any recommendation. I can see there are discrepancies in the income recorded for Mr M between the questionnaire, suitability letters and application.

TenetLime has said the figures used in the application and suitability letter correspond with the evidence it received of Mr M's income through payslips and P60s. I've reviewed the evidence Mr M provided to TenetLime of his pensions. While there are discrepancies in the figures TenetLime used to consider Mr M's income, I'm satisfied that the amounts used in the suitability report and application weren't substantially out of line with the evidence provided by Mr M. The questionnaire was a data gathering exercise and it's reasonable that these figures would be updated as further evidence was received. And I think TenetLime was entitled to generally rely on the information provided by Mr M as being accurate.

I understand the estate is also concerned Mr M's reported income and expenditure figures don't align with his bank statements. I have reviewed Mr M's bank statements from August 2018 to November 2018.

Mr M's bank statements show less income than TenetLime recorded. But it has told us that was because some of the pensions were paid every four weeks, rather than every calendar month. TenetLime said it annualised the amounts and divided by twelve. I consider that was a reasonable way for it to calculate Mr M's income.

I've now gone on to consider what the estate has said about Mr M's expenditure. The bank statements show Mr M was withdrawing significant amounts in cash withdrawals each month. They also show he was depositing significant amounts into the account each month. I'd expect TenetLime to question this with Mr M to ensure it had an accurate picture of his spending and disposable income to ensure its advice was suitable for Mr M's needs.

A call note from 30 November 2018 shows TenetLime asked Mr M about the regular cash withdrawals from his account. Mr M explained the funds were for a garden wall that needed fixing due to subsidence which wasn't covered by his insurance, and that he was helping his son with his bills while he was unable to work.

Mr M gave TenetLime reasonable and plausible explanations about both the cash withdrawals and deposits showing on his bank statements. I don't think it was unfair for TenetLime to accept Mr M's explanation here. Mr M had already explained he had debt due to carrying out home improvements and it was feasible that he was helping his children financially on a temporary basis.

TenetLime have provided a copy of Mr M's credit file from the time of the advice and Mr M had no adverse credit history. I don't think TenetLime had any reason to doubt Mr M's explanation of what the funds were being used for. I understand Mr M's estate has since said these explanations weren't accurate, but I can't see that TenetLime had any reason to doubt Mr M at the time.

The estate of Mr M has said he was spending considerable amounts online shopping, and Mr M was in a vulnerable position with a hoarding problem. It said this should have been picked up by TenetLime when reviewing Mr M's bank statements. I can see various transactions on Mr M's bank statements that support he was regularly purchasing goods

online. I agree with the estate that this is something I would have expected TenetLime to ask Mr M about. And I can't see that it did.

It's difficult to say what would have happened if TenetLime had asked further questions of Mr M about his spending. But, given the information I have available, I think it's likely Mr M would have explained that this spending was for home improvements. Part of Mr M's reasoning for taking out the mortgage was to fund further home improvements and he said this is what had caused him to go into debt. And I can see the majority of the spending on the bank statements was at homeware related stores. So, while I agree that TenetLime should have asked Mr M about this spending, if it had I don't think it would have led TenetLime to think its advice to consolidate his debts and raise further funds to complete the home improvements was now unsuitable. Mr M had already made it aware that was the reason he needed funds.

The estate has said Mr M's recorded outgoings for his household expenditure don't match what he was actually spending each month on his bank statements. Again, I've reviewed Mr M's bank statements in detail. It's important to note that figures given by Mr M as his household expenditure for each item would have been an estimate, and this would fluctuate from month to month. On reviewing Mr M's bank statements, I can see that some costs were higher than recorded, while others were lower. As a whole, I don't think the figures recorded for Mr M's household outgoings were obviously incorrect in comparison with his bank statements. So, I don't think TenetLime's advice here was based on unreasonably misrepresented costs for Mr M. And again, TenetLime was entitled to rely on the information provided by Mr M as being accurate.

The priority for Mr M was to reduce his outgoings and raise funds for home improvements. So, while TenetLime needed to have a good idea of Mr M's finances, the main concern would be establishing what his current financial commitments were to see if it could be reduced by consolidating his debt.

The estate has said Mr M had an overdraft that wasn't included in his financial commitments, and TenetLime didn't take into account that Mr M's credit cards were at their credit limit.

Mr M's credit file from 2018 shows two current accounts. Only one had a credit limit and both current accounts recorded a balance of zero at the time of the advice. I've not seen any evidence that Mr M had utilised an overdraft at the time of the advice, or that TenetLime should have been aware that he had. So, I can't say TenetLime has acted unfairly by not including an overdraft in Mr M's debt to be consolidated as there was nothing to be consolidated at the time.

TenetLime did include the outstanding loan and credit cards shown on Mr M's credit file into his debt consolidation. So, it wouldn't include these costs in Mr M's future outgoings. The advice from TenetLime was for Mr M to use the mortgage funds to repay these credit commitments. So, Mr M would no longer be near the credit limit on these cards.

I can see TenetLime established Mr M's credit commitments in the suitability report. On reviewing Mr M's credit file from November 2018, I'm satisfied these figures are a reasonable representation of his debt at that time. There is a slight variation with some credit cards showing a higher balance and others reducing between the time of the credit report and the suitability letter. But I'm satisfied that the figures used to provide Mr M with advice about reducing his monthly outgoings were reasonable.

Overall, I think the figures used by TenetLime to establish Mr M's incoming funds, outgoing credit commitments and household costs weren't unreasonable. Mr M wanted to reduce his monthly outgoings, and I'm satisfied that TenetLime acted fairly and reasonably by gathering

information and evidence about Mr M's incoming and outgoing expenditure and using this as the basis of giving its advice. And that its advice, if followed, would've allowed Mr M to achieve his goals of reducing his monthly outgoings.

I've considered whether I think it was good advice to include the car finance in the debt consolidation when TenetLime had already established it would increase the costs of this debt. Mr M's goal was to reduce his monthly outgoings and to have funds for his home renovations. The lender had determined that it wouldn't be affordable for Mr M to pay the monthly mortgage costs along with his car finance costs and have additional borrowing for home improvements. TenetLime therefore recommended Mr M consolidate all his debts and reduce the amount for home improvements to keep the cost affordable to him. While this may have increased the costs of the car finance debt on its own, overall Mr M's monthly financial commitments were reduced and his debt was fixed at a significantly lower rate than his unsecured debt was previously. And it still allowed Mr M to raise funds for home improvements. So, I can't say this advice was unsuitable.

I understand Mr M chose not to repay the car finance and his estate has told our Service he was put under significant financial strain to maintain his payments. I'm very sorry to hear of the circumstances Mr M was in. But I'm unable to say that TenetLime gave Mr M unsuitable advice because of this. It was Mr M's decision not to repay the car finance loan as intended with the mortgage funds. And the advice was based on him doing so.

The estate thinks TenetLime should have had concerns about the valuation report saying the condition of the property was poor and parts were inaccessible due to 'excessive personal possessions'. Whilst I empathise with the estate's point here, the lender involved was satisfied the property was suitable for lending purposes and I can't see that it raised any questions about the report with TenetLime. It's not clear to me whether TenetLime received a copy of the valuation report at the time of the advice either as the valuation is purely for the benefit of the lender and isn't routinely shared with brokers. So, I don't know whether the valuation report was shared with the broker. And, even if it had been, I wouldn't have expected TenetLime to raise this with Mr M.

The estate has concerns about the advice to secure Mr M's debt to his property. I can see the suitability letter made Mr M aware that doing this would reduce the equity available in his property and that the property could be repossessed if he didn't maintain his mortgage payments. Mr M decided to proceed on this basis. And I think the potential benefit and savings in the long term outweighed this and met Mr M's priorities.

I'm sorry to disappoint the estate of Mr M as I know they feel strongly about this matter. But I can't say that the advice TenetLime gave to Mr M was unsuitable. It reduced Mr M's financial commitments, fixed the debt to a lower rate and freed up funds for Mr M to carry out home improvements. So, I'm satisfied the advice met Mr M's needs and circumstances at the time therefore I don't consider that TenetLime acted unfairly or unreasonably.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr M to accept or reject my decision before 6 January 2025.



Emma Taskas
Ombudsman