DRN-5193372

## The complaint

Mr J complains that Metro Bank PLC gave him unsuitable advice to consolidate his unsecured debts during a re-mortgage application. He says it didn't take account of the costs associated with the increased period over which the debt was to be repaid.

He also complains about the further borrowing Metro agreed later that same year. He doesn't think it was suitable to recommend additional borrowing and extending the mortgage term when his employment contract was nearing its end and he'd recently consolidated unsecured debts.

## What happened

Mr J had an interest only mortgage with another lender on which he was paying a variable interest rate. He was also paying around £980 per month to service unsecured debt. After initially approaching an independent mortgage broker for advice, he contacted Metro directly about a re-mortgage application. Following a conversation with an adviser, in February 2019 Metro recommended Mr J re-mortgage on a repayment basis, consolidate some of his unsecured debt, and take additional borrowing for home improvements. It recommended a fixed interest rate product for five years. The mortgage term was 17 years and 9 months.

Later the same year Mr J applied to port his mortgage to a new property and take additional borrowing to fund the purchase. The mortgage term was extended to 24 years.

Unfortunately, Mr J later fell into financial difficulty. He experienced problems with the renovation he was carrying out on his new property and took some time out of work. His mortgage fell into arrears.

Mr J complained to Metro in 2024 about the advice it had given in 2019. He wasn't satisfied the advice was suitable and didn't think he should have been advised to consolidate his unsecured debts or later take additional borrowing to move home. He said he was able to afford the monthly payments as they were at the time and wasn't in financial difficulty when the advice was given. But now he's unable to afford his mortgage payments and other bills and is in financial difficulty.

Metro didn't uphold the complaint. It was satisfied the advice was suitable based on the needs and preferences Mr J expressed at the time it was given.

Mr J brought his complaint to our service. One of our Investigators looked into things but didn't think Metro had acted unfairly when it gave advice to Mr J in 2019. She didn't uphold the complaint.
Mr J asked for his complaint to be referred to an Ombudsman, so it's been passed to me to issue a 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.

Firstly, I want to acknowledge that both parties have made substantial submissions and comments during our service's investigation, and I have considered those carefully before issuing this decision. I mean no discourtesy by only summarising the events and submissions above.

In 2019 Mr J was a self-employed contractor. Before approaching Metro directly, Mr J had made some initial enquiries with an independent mortgage adviser, but has said he later decided to contact Metro directly and save having to pay any broker fees.

I think it's important to note that when Mr J approached Metro to apply for a re-mortgage, he was doing so with the intention of taking out a mortgage with it. The adviser Mr J discussed his circumstances with was only looking at whether a mortgage with Metro was suitable for Mr J based on his objectives, needs and circumstances at the time. The adviser wasn't in a position to give Mr J wider financial advice about his overall circumstances, or look at other products offered by different lenders that may have been more suitable as an independent broker would be able to do.

But Metro did need to ensure that any advice it gave to Mr J to take out a mortgage with it was suitable based on what it knew about his circumstances at the time. It was required to recommend the most suitable option of those Metro had available for Mr J. If there was no mortgage product Metro could have offered Mr J that was suitable for his needs at the time, it ought not to have recommended anything to him.

Mr J believes the mortgage advice Metro recommended in February 2019 was not suitable because it didn't account for the increased interest he'd be paying on his unsecured debts by consolidating them into a long term secured debt. Unfortunately, Metro hasn't been able to provide any information from the initial fact find exercise which would show what was discussed about Mr J's circumstances at the time the advice was given. But we do have the suitability letter that was produced after the conversation took place, and Mr J's testimony about what happened.

There is no dispute about Mr J's preferred objectives at the time he approached Metro. His existing mortgage was on a variable interest rate and he wanted to fix it over a long period to ensure certainty of payments. He wanted to switch his mortgage to repayment so that he knew it would be repaid by the end of the term and didn't want to have to rely on investments to repay a lump sum. He wanted to consolidate his unsecured debts to reduce his monthly outgoings and reduce them to a single payment so that he could start saving his disposable income each month. He told Metro that his preferred budget for his monthly mortgage payments was £950.

Metro found that it was able to offer a re-mortgage that met all of the needs Mr J had expressed at the time. And that re-mortgage went ahead. But Mr J has fallen into financial difficulty in recent years and struggled to keep up with the mortgage payments. He now believes that Metro shouldn't have advised him to consolidate his unsecured debts, which totalled £33,674.34 at the time. He says if he hadn't consolidated those debts, he would have paid them off by now. Instead, he is still paying interest on them, and will continue to do so over a significantly longer period of time.

At the time of the advice, Mr J had three credit cards, a personal loan and a car finance agreement. He also had his existing residential mortgage and a buy-to-let mortgage. Metro took details of those debts, and made its recommendation. Two of the credit cards were on 0% interest deals until May 2019 and January 2020. The third credit card was on an interest rate of 34.9% with a balance of around £1,200. The personal loan had only recently been taken out and was on a fixed interest rate of 9.94% until October 2021 when the loan was due to end. The car finance agreement wasn't consolidated as it was coming to an end.

The suitability letter stated that it would be detrimental to consolidate the debts that were currently on lower interest rates than Metro's standard variable rate, which was 4.25% at the time. It said Mr J had said he would prefer to have everything consolidated as he wouldn't be able to repay the credit cards within the interest free periods and would end up on a higher rate. He also wanted to consolidate all his debts in one go rather than having to come back and he could then just have one monthly payment. The letter also said that usually it was not Metro's policy to consolidate debts on a lower interest rate, but the adviser was recommending it in this case as Mr J was fully aware he would start to pay interest on his credit card debt when he wasn't currently.

The suitability letter also said that they had talked about Mr J discussing his other debts with the relevant creditors as they might be able to arrange a more suitable option. It states Mr J didn't want to do that as he had no problems repaying the debts each month so didn't see the point in speaking to them. The adviser ultimately recommended that Mr J consolidate his debts as part of the re-mortgage as it would reduce his monthly payments by £783.23 although he would be paying more interest overall in the longer term. The letter also said it was important Mr J was aware that by consolidating his existing unsecured debt into a secured loan it is likely to cost him significantly more over the long term. It highlighted that he may pay extra charges for moving current debts and for setting up the new mortgage.

The regulator's rules state that when a mortgage is taken for the purposes of debt consolidation, it must take account of the following:

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

Metro has not been able to provide any detailed analysis the adviser did at the time in relation to the additional costs Mr J would face in the long term by consolidating his debts. Only that it told him that it would be more expensive to do so. I'm not persuaded that the standard wording included in the suitability letter was sufficient to make those increased costs over the longer term clear to Mr J. I'm also not persuaded that the adviser considered those additional costs in detail before making his recommendation. The adviser even explained in the suitability letter that he would not normally recommend debt consolidation in Mr J's circumstances, but as Mr J was aware of the implications and his objectives were being met then the recommendation was still made.

Mr J has said the suitability letter is a biased account of the conversation that took place from the point of view of the Metro adviser. He has said that the adviser should have looked at a product switch on an interest only basis for a short term until his unsecured debts had been repaid. Or he should have been advised to stay with his existing lender and take a new product with them. But whilst Mr J may feel those were more suitable options in hindsight, neither of those options would have met Mr J's needs at the time. And I've already said that it was not Metro's responsibility to advise Mr J of alternative options that might have been available with other lenders.

Based on Mr J's circumstances at the time, it would not have been possible for him to achieve his wider financial objectives without consolidating his existing debts. That's not in dispute. He didn't have enough disposable income each month to switch his mortgage to repayment whilst his other debts remained in place. Metro could have advised Mr J to keep his mortgage on an interest only basis whilst he repaid his other debts. But given that Mr J wanted the security of his residential mortgage being paid off, and it was in his budget to achieve that, I'm not persuaded that would necessarily have been suitable advice either. It's also not clear that Metro would have agreed to lend on that basis given the changes to mortgage regulation that have taken place since Mr J's existing interest only residential mortgage was taken out.

I agree with Mr J that the evidence suggests he was not in financial difficulty at the time he approached Metro for advice. But I'm also persuaded that achieving all of his objectives was important to him, and that included the debt consolidation.

I say that because the email correspondence he's sent us between him and the independent broker he spoke to before he approached Metro directly, said that he was looking to consolidate his existing debts. The recommendation Metro made to Mr J achieved all of his objectives within his preferred budget. Weighing up all the evidence, and what both parties have said, if Metro had broken down the additional costs over the long term that Mr J was to incur by consolidating his debts, I don't think it would have changed his mind about his preferences. I think he would have preferred to consolidate and have a fixed, clear budget over a five-year period as is stated in the suitability letter. I'm satisfied Mr J was aware it was going to cost him more over the long term, and he was happy to go ahead as the price of enabling him to start repaying his mortgage. I'm not persuaded him knowing the exact amount it was going to cost him would have made a difference.

I appreciate Mr J feels strongly that Metro should have offered wider financial advice about his buy-to-let property and also about staying with his previous mortgage lender. But I've explained that Metro was not required to do that in the capacity it was acting at the time. It just needed to ensure that the advice it was providing Mr J was suitable. And based on what it knew about Mr J's circumstances at the time, I think it was.

I appreciate Mr J has since struggled to maintain his monthly mortgage payments. But that is because of a change in his circumstances and him having to take some time out of work. I don't think that means the mortgage Metro recommended was unsuitable at the time. If it hadn't recommended the mortgage it did, then Mr J's monthly outgoings would have remained higher than they are currently, and so I'm not persuaded he would have been in a better position than he is now but for Metro's advice.

Mr J has said he had to pay an early repayment charge to settle his personal loan early when he re-mortgaged. I've seen a copy of his credit agreement which says the following. "You have a right to repay all or part of the outstanding balance early at any time. If you wish to repay all of part of the outstanding balance early you should contact us and advise us of your intentions."

The suitability letter states that Mr J would not incur any early repayment charges by consolidating his debts into his re-mortgage. Metro would have taken that information from Mr J during the advice process, and appears to have relied on what he said. In fact, that's not correct. As a regulated credit agreement, there is an early repayment charge, the calculation of which is prescribed by law. I'd have expected Metro to have known that. But generally speaking, the charge is relatively small - equivalent to a month or two of interest - and so if Metro had understood this and drawn it to Mr J's attention I don't think it would have made any difference to his overall decision that an increase in the overall cost of his unsecured credit was a price worth paying to convert his mortgage to repayment terms.

Mr J has also complained about the advice Metro gave him later that same year when he applied to port his mortgage and take further borrowing. He initially said that advice wasn't suitable as it extended the term even further – which increased the overall costs of the debt consolidation done in February. But he has since said that the mortgage shouldn't have been approved because it was unaffordable. Mr J has also said throughout his complaint that he had generous disposable income both before and after the re-mortgage and so it's unclear whether he does think it was actually unaffordable at the time or whether it is now just his change in circumstances which now has made things unaffordable for him. Either way, Metro had to ensure that it both provided advice that was suitable for Mr J and was also lending responsibly when it agreed to Mr J's application.

Mr J wanted to borrow more money to move home. Initially, Metro said that the new mortgage would be unaffordable, but following a conversation Mr J had with an adviser it agreed to lend a lower amount than initially requested if the mortgage term was extended to 24 years. It was satisfied that would make the mortgage affordable for Mr J and agreed to lend on that basis. At the time Mr J approached Metro for further borrowing, his objective was to raise funds to buy a new home. He wouldn't have been able to afford the new property without borrowing more money.

Metro assessed Mr J's income and expenditure and his initial application for an increase in his mortgage of just over £42,000 was declined because of affordability. It then later agreed to lend Mr J £38,000 as long as the mortgage term was extended to make the monthly payments affordable. And the mortgage completed. Considering Mr J's circumstances at the time, I don't think the advice Metro gave regarding the additional borrowing and the term extension was unsuitable.

Mr J wanted more funds to move home, and the advice Metro gave Mr J allowed him to do that. Metro wouldn't have been able to agree to the lending without the term extension, as it was deemed unaffordable. So I think it was reasonable Metro advised Mr J to extend the term so he was able to borrow the funds he needed to move to the home he wanted. That's despite the fact that it meant Mr J would be paying more interest overall with a longer term. It wasn't Metro's responsibility to advise Mr J on whether it was sensible for him to purchase another property (which I understand he later had several issues with), but it did need to ensure the mortgage product was suitable for him. Based on everything I've seen, I'm satisfied it was.

I'm also satisfied Metro made it clear to Mr J at the time that increasing the mortgage term would result in him paying more interest in the long term. And it also told him that if he did have extra funds that he could afford to contribute towards the mortgage each month, there was an overpayment allowance of over £32,000 each year so that he could reduce the balance more quickly if his circumstances allowed – which would minimise that additional interest.

Mr J has also raised concerns about the fact Metro agreed to lend him additional borrowing when he was contracting, and his contract was due to end later that year. Having reviewed the fact find information, Mr J told Metro that he didn't foresee any changes to his employment in the near future, and he was getting busier with a predicted increase in his income. Metro has said that Mr J met its lending criteria at the time, and he had provided evidence of his contracting history over the last five years.

Based on the information Metro had at the time, I don't think it was acting irresponsibly to lend more funds to Mr J because his current employment contract was due to end later that year. I'm satisfied Mr J's application met Metro's lending criteria, and Mr J did not indicate that there were any foreseeable issues with his contract being renewed – as it had been done in previous years.

I’m sorry to hear that Mr J has found himself in financial difficulties in more recent years, but having considered all the circumstances that led to this complaint, I’m not persuaded that was a result of Metro providing unsuitable mortgage advice or lending irresponsibly. If Mr J is struggling to maintain his monthly mortgage payments, I encourage him to discuss his circumstances with Metro so it can consider appropriate forbearance if he hasn’t done so already.

## My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J to accept or reject my decision before 12 March 2025.

Kathryn Billings
**Ombudsman**