

complaint

Mr K complains that Fastmoney.co.uk Limited mis-sold him a mortgage. The complaint is brought on his behalf by a claims management company.

background

Mr K responded to a newspaper advert and asked Fastmoney to arrange him a remortgage. He wanted to repay his secured and unsecured lending and make some home improvements. Fastmoney recommended an interest only mortgage over 12 years.

The adjudicator did not recommend that the complaint should be upheld. He could not conclude that the mortgage was mis-sold or was unaffordable. He considered the mortgage resulted in a significant monthly saving and allowed Mr K to improve his home. An interest only mortgage was agreed, to keep the monthly repayments low and Mr K confirmed his intention to sell the property to repay the capital balance. The adjudicator found that Fastmoney gave Mr K a range of information for him to consider before he agreed the mortgage.

The claims management company responded to say, in summary, that:

1. Fastmoney should have advised Mr K to seek independent debt advice and he should have been referred to his existing lender.
2. A sub-prime mortgage was not suitable in Mr K's circumstances.
3. The remortgage was at a higher interest rate, he incurred fees of over £6,500 and his secured and unsecured lending moved from a capital repayment basis to an interest only basis.
4. There is no evidence that the broker considered whether the mortgage was affordable.
5. Mr K was not given the choice of a repayment mortgage and it was not explained that he would need to repay the capital at the end of the mortgage term – in any event, there is no guarantee that the property will be worth enough to repay the loan.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr K had an existing mortgage of around £80,000 and unsecured lending (comprising various loans and credit cards) of around £42,000. He approached Fastmoney because he wanted to consolidate his debts, reduce his monthly repayments and borrow money for home improvements. I consider the mortgage agreed, following his discussions with Fastmoney, was suitable for his stated needs – his debts were consolidated, his monthly payment was reduced and he borrowed around £65,000 for home improvements.

There is no evidence that Fastmoney advised Mr K to seek independent debt advice. But, its "Choice of Mortgage Product" sheet shows that the implications of consolidating previously unsecured debt was discussed and Mr K has signed to agree he understood the debts would now be secured on his home and that he would pay interest over the term of the mortgage.

The interest rate on the remortgage was higher than that on his existing mortgage, but lower than the rate he was paying on his unsecured debts. Mr K's main requirement was to consolidate his debts and reduce his monthly payments and the remortgage met this requirement.

Fastmoney's records show that a capital repayment mortgage was considered, and a key features illustration was provided for a capital repayment mortgage, as well as an interest only mortgage. I consider this would have given Mr K enough information to decide which type of mortgage would best meet his needs. He signed to confirm his intention to sell the property and downsize to pay off the capital balance at the end of the mortgage term. The loan to value was 60% and Mr K intended to improve the property, including carrying out a loft conversion to add an extra bedroom. He was single with no dependents, so this does not seem to be an unsuitable plan in the circumstances.

The mortgage was self-certified. Mr K was self employed and he signed to confirm his annual income. Based on this figure, the mortgage did not appear to be unaffordable.

my final decision

For the reasons I have explained, my final decision is that I do not uphold this complaint.

Elizabeth Dawes
ombudsman