

complaint

Mr and Mrs F complained that their mortgage with The Mortgage Matters Partnership was unaffordable and had been mis-sold to them.

background

In 2005, Mr and Mrs F had a mortgage, a second charge on the property, and substantial debts to multiple credit card and loan companies. They had been to a financial organisation for a loan to repay the debts, but were refused. They then went to Mortgage Matters, where they completed and signed a fact finding document with an adviser. They told the adviser their first priority was to consolidate loans, reduce monthly expenditure and have more spare cash.

The adviser recommended a remortgage to enable Mr and Mrs F to pay off their mortgage and second charge, and some of the outstanding loans. Mr and Mrs F completed the remortgage, and signed to say they were *“fully satisfied with the service, advice and recommendation received.”*

In 2014, Mr and Mrs F complained to Mortgage Matters that their loan had been mis-sold. They said it was unaffordable, and had still left them with £30,000 of debt. Mortgage Matters replied that when Mr and Mrs F met the adviser, they'd told him their total borrowings were £97,700. There wasn't enough equity in the house for a remortgage for as much as this, but looking at the figures, Mortgage Matters commented that if Mr and Mrs F had still had £30,000 of debt, it had to assume they hadn't used the remortgage money to clear credit cards after all.

In relation to the mortgage being interest only, Mortgage Matters said that at the time of the meeting, the cost of servicing Mr and Mrs F's debts was nearly as much as their net monthly income. As a result, Mr and Mrs F had chosen the interest only option, freeing up some income to reduce or clear the debts which couldn't be consolidated. Mortgage Matters also said Mr and Mrs F had told them Mr F was about to get a pay rise, and said the deal represented a considerable saving over their previous debt servicing costs. Mr and Mrs F weren't satisfied and complained to this service.

The adjudicator noted that in 2005 Mr and Mrs F's commitments to various mortgages, loans and credit cards were costing £1,700 monthly, against a net income of £1,800. After consolidation, their mortgage monthly outgoings were £361.95. If Mr and Mrs F had used the rest of the remortgage money, about £40,000, to pay towards their remaining £55,000 credit card and loan debts, there wouldn't be so much of these other debts to service each month, so their total monthly commitments would have reduced considerably.

Mr and Mrs F also told the adjudicator that not all their debts were on the Fact Finding with Mortgage Matters. The adjudicator said it had been their responsibility to disclose all financial commitments, and Mortgage Matters' recommendation was based on information provided. The adjudicator disagreed that the consolidation remortgage was unaffordable. He said that he understood the remortgage might have left them with less disposable income than they'd have liked, but the alternative of not taking the mortgage looked much worse and unsustainable.

Mr and Mrs F weren't satisfied. They said they did disclose all the debts, but Mortgage Matters hadn't recorded them on the document. They said they'd had no help about which

debts to repay first, and they'd had to repay some of the smaller debts because they were threatening court proceedings. They said that Mortgage Matters' figures didn't take into account transport, social events, birthdays, and Christmas, and repaying the outstanding debts was an impossible goal. They said that if they'd declared bankruptcy they'd have been debt free after six years. They suggested the house, originally just in Mrs F's name, might have been safe if Mr F had been declared bankrupt, as most of the debts were in his name, but said this wouldn't have earned Mortgage Matters any fees.

my findings

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

When we look at whether a mortgage recommendation is suitable, we look at the customers' situation at the time, and what their needs were. In 2005, the information Mr and Mrs F gave Mortgage Matters showed they had substantial debts. They were being charged nearly as much as their net monthly income just to service these, before any living costs, so it wasn't sustainable. They also said they were being threatened with court action on some of the debts. It's clear their spending had considerably exceeded their means.

I've looked at the documents recording Mr and Mrs F's needs. It was Mr and Mrs F's responsibility to provide accurate figures, and on the figures given, I don't think Mortgage Matters' advice was unreasonable, or that the mortgage was mis-sold. Mr and Mrs F were in a very bad financial situation. They'd already been turned down by another bank, and the fact finding document records *"only the one lender is understanding about outstanding debt, otherwise we would have been in trouble placing."* So I find that Mr and Mrs F were fortunate to have been able to remortgage at all, given the amount of their overspending. I consider that the plan put forward by Mortgage Matters gave Mr and Mrs F a reasonable chance, if they were willing to take it, of putting their finances in better order.

Mr and Mrs F said they didn't have advice about which debts to pay. I don't consider Mortgage Matters was required to provide this as part of the remortgage deal. It's been suggested Mr F could have declared bankruptcy because many of the debts were in his name, but this would have had other consequences as well as an impact on Mrs F. So I don't find the advice to consolidate Mr and Mrs F's debts as a means to a fresh start was necessarily inappropriate.

Based on the information Mr and Mrs F gave to Mortgage Matters at the time, I think the proposals and remortgage were a reasonable and affordable way of trying to help Mr and Mrs F onto a better financial footing. So I don't uphold this complaint.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs F to accept or reject my decision before 13 February 2015.

Belinda Knight
ombudsman