

## **complaint**

Mr and Mrs S have complained that mortgage advice they was given in September 2005 by a representative of Legal & General Partnership Services Limited (L&G) was unsuitable. They are asking for financial compensation.

## **background**

In September 2005 Mr and Mrs S were given mortgage advice by L&G. At the time they had a repayment mortgage of about £68,000 which was on an interest rate of 5.25%. Mr and Mrs S also had unsecured debts of about £13,260, which were costing them about £400 per month. This left them with only £83 per month disposable income.

After taking advice from L&G they took out a mortgage with a new lender for £85,100, also on a repayment basis. The first two years of the mortgage were at a fixed rate of 4.490%. They paid off their unsecured debt from the mortgage advance, increasing their disposable income by £312, to £395 per month.

Mr and Mrs S now say that this advice wasn't suitable. They didn't think it was right to advise them to consolidate their unsecured debt into the mortgage. They are also unhappy about what they say is a lack of transparency about the fees. In particular, they note that on completion the lender would be paying the broker a fee of £382.95, a proportion of which would be retained by L&G. Mr and Mrs S want a breakdown of this as they say it is *"their money"* which has paid this fee.

L&G didn't uphold the complaint so Mr and Mrs S brought it to us, where an investigator looked at it. He was satisfied that the advice to consolidate the unsecured debt was suitable, given Mr and Mrs S's lack of disposable income. He was also satisfied that the fees were set out in the documents provided at the point of sale. The investigator explained to Mr and Mrs S that L&G was under no obligation to disclose how the fee was split between it and the broker.

Mr and Mrs S disagreed with the investigator's findings in relation to the fee of £382.95. they say: *"It was never divulged to us which party received what amount so that isn't exercising clarity and fairness. It implies there was something to hide. Considering this was a client's (our) money, it actually feels quite dubious and dishonest. I don't understand why they couldn't state why. Simply responding that they didn't have to isn't really good enough when I asked them for a breakdown of the figures."*

As this matter remains unresolved, it falls to me to issue a final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs S haven't challenged the investigator's findings on the mortgage advice. They seem to be concerned only with a fee paid by the lender (not by Mr and Mrs S) to the broker. They are insisting that they are entitled to know how this was split between the broker and L&G.

But I will address the suitability of the mortgage advice, for completeness. I see that two years before Mr and Mrs S took out this mortgage they'd already remortgaged, in 2003. At that time they consolidated unsecured debts of just under £30,000 – a credit card, two secured loans, car finance and an overdraft.

Two years later, in 2005, Mr and Mrs S were in the position of having taken out additional unsecured debt, to the point where they had only £83 per month disposable income. They were on a tracker rate, and between 2003 and 2005 the Bank of England Base Rate had risen five times.

I think, given Mr and Mrs S's circumstances, the advice to take out the new mortgage and consolidate their unsecured debt was not unsuitable. Interest rates were rising and their exposure to further interest rate increases meant they were likely to fall into arrears if they had not taken steps to reduce their monthly outgoings substantially.

In fact, after they took out the mortgage, the Bank of England Base Rate increased a further five times over the next two years. If they had not remortgaged, I think this would have left Mr and Mrs S in serious financial difficulties.

Overall, taking into account Mr and Mrs S's circumstances at the time, I'm satisfied that the advice was suitable.

As far as the fees Mr and Mrs S were required to pay are concerned, these are set out in the documentation. They were an integral part of the transaction, covering the arrangement fee for the mortgage, a valuation fee, a broker fee and solicitors' fees.

But Mr and Mrs S are concerned that a fee of £382.95 paid by the lender to the broker and L&G has not been broken down. Mr and Mrs S are incorrect in their assumption that this fee has been paid out of "*their money*" as it was not deducted as part of the mortgage advance and so has not been paid by them, but was paid directly by the lender.

As this wasn't a fee paid by Mr and Mrs S, they're not entitled to any information about how the fee was split between the broker and L&G. I'm satisfied L&G is under no obligation to provide a breakdown, as it is commercially sensitive, relating to the business arrangement between lender and broker.

Overall, I'm satisfied L&G has done nothing wrong, either in the advice given in 2005 to remortgage, or in its refusal to provide a breakdown of the fee paid by the lender to the broker and L&G.

### **my final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 12 June 2020.

Jan O'Leary  
**ombudsman**

