

## **complaint**

Mr and Mrs D complain that London & Country Mortgages Ltd ("L&C") made an unsuitable re-mortgage recommendation to them.

## **background**

Mr and Mrs D re-mortgaged in 2005. They switched their existing mortgage of some £145,000, consolidated £60,000 of unsecured debts and took £6,000 of additional borrowing. The recommendation was that the £145,000 be on an interest only basis and the rest on a capital repayment basis. This was said by L&C to reflect their requirements and that their existing mortgage was on an interest only basis. The strategy to repay the interest only borrowing was by overpayments.

The adjudicator did not recommend that the complaint be upheld. She said that:

- She considered that a recommendation letter given to Mr and Mrs D to be an accurate reflection of the discussions at the time.
- This set out the way in which it was intended to repay the mortgage and the way in which it had been structured.
- The letter mentioned that Mr and Mrs D felt that they could make overpayments of £2,000 per annum from the start of 2006.
- This was not an unreasonable basis to repay interest only borrowing in 2005.
- L&C cannot be held responsible if Mr and Mrs D chose not to make any lump sum payments between 2005 and 2010.

Mr and Mrs D, who bring this complaint through their representative, did not agree. It said that Mr and Mrs D had not been advised about the long term consequences of the recommendation. It said that it was clear that a repayment mortgage was affordable and would still have saved them a significant amount of money each month. The savings that they made by re-mortgaging were quickly absorbed into their daily expenses. Mr and Mrs D were concerned about repayment which is why they converted their mortgage later.

## **my findings**

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

I asked Mr and Mrs D and L&C some additional questions to help me reach a decision. Despite my doubts that Mr and Mrs D's existing mortgage was on an interest only basis L&C stand by what was recorded in the fact find. Mr and Mrs D said that they took the interest only option because they were advised to and that they could have afforded a capital repayment basis.

It seems more than likely than not to me that their existing mortgage was on a repayment basis. This is what the previous lender has said and the previous monthly payment was consistent with this. As a result I can see why the argument made by L&C that Mr and Mrs D wanted to retain this amount on an interest only basis has been challenged. Even had this been based upon what Mr and Mrs D had thought it ought to have become apparent to L&C when their income and expenditure was analysed. I also asked L&C what relevance its reference to the new lender's criteria in the final response had to the interest only element of the mortgage and it was unable to substantiate this.

But the re-mortgage reduced Mr and Mrs D's monthly outgoings by nearly £900 and realised a lump sum of £6,000 towards spending. Their representative said that a full repayment mortgage would have been about £350 per month more expensive. Mr and Mrs D had said they could afford £2,000 per annum towards overpayments- equivalent to £167 per month. These figures suggest to me that reducing their outgoings was a priority and that it was not clear that they could afford a full repayment mortgage. I appreciate that they would have had to remember to make overpayments but they did not make any, even with a sizeable increase in household disposable income. I note that this was against their account that repayment remained a concern to them. It seems to me that their switch to a repayment basis in 2010 was triggered by a review of what had happened at the end of the five year fixed interest rate product term.

I agree with the adjudicator that the recommendation letter was clear about the approach that had been taken. This also has to be judged against what was reasonable in 2005 for interest only mortgages. I do not think that there was any reason for L&C to think that Mr and Mrs D would either not have been able to, or would not have been prepared to make the overpayments intended.

Taking all these factors into account I am unable to conclude that the recommendation made by L&C was unsuitable.

### **my final decision**

My 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 D to accept or reject my decision before 10 August 2015.

Michael Crewe  
**ombudsman**