

## **complaint**

Mr and Mrs C – through their representative- complain that they were mis-sold a mortgage with Legal & General Partnership Services Limited ("Legal &General") in 2007.

## **background**

Legal & General recommended a re-mortgage for a term of nine years to Mr and Mrs C. The interest rate was fixed for five years. They wanted the re-mortgage to consolidate debt which had built up. Mr and Mrs C said that Legal &General advised them to consolidate a low interest Nationwide loan with around two years left to run into a nine year mortgage. The interest rate on the unsecured loan was only marginally higher than the new mortgage rate.

Our adjudicator reviewed the file and upheld the complaint. She said that whilst she thought that some of the debt consolidation was suitable, she didn't think Mr and Mrs C should have been advised to consolidate the loan with Nationwide. This only had 28 months to run and by consolidating this sum she calculated it meant they had to pay approximately £1596 more than they would have done which was unnecessary.

L&G didn't agree with this view. It said that it thought the mortgage advice was suitable and affordable. It said that the balance on Mr and Mrs C's credit card was increasing and they were reliant on credit. It was important for them to reduce their outgoings to make sure that any new arrangement was comfortably affordable. Had the Nationwide loan not been consolidated, their disposable income would have reduced. Had this happened this would have meant further reliance on their credit cards which over the remaining term of the loan would incur a substantial amount of interest. It said that Mr and Mrs C were only paying the minimum payments required on their credit card debt, continued to use the credit card and were reliant on revolving credit.

By consolidating their credit card debts and their loan their outgoings reduced by £140 per month. It asked that the matter be referred to an ombudsman for a final decision.

To be clear I am dealing with the complaint about the mis-sale of the mortgage. I have not made any findings in relation to the payment protection policy.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I agree with the adjudicator. I will explain why.

I can see that Mr and Mrs C had a number of outstanding credit card debts. Mr and Mrs C were only paying small amounts towards the credit card balances. I agree with the adjudicator in relation to these debts. On balance, I don't think it was wrong for them to consolidate these debts. Even though Mr and Mrs C would have ended up paying more in the long term, I think this enabled Mr and Mrs C to reduce their monthly outgoings and maximise their monthly income. And this was a choice they made.

In relation to the loan with Nationwide, I have looked carefully at the paperwork in relation to this. Mr and Mrs C had an outstanding amount of over £6,000.00 left on this loan. Mr and Mrs C wanted stability. On balance I think they could have still achieved this even if they hadn't repaid the loan to Nationwide.

The interest rate for the re-mortgage was 6.19%, fixed until 2012. The interest rate on the loan was 6.7%. So whilst the rate was marginally higher initially the mortgage interest rate would increase at the end of the fixed period. At the time of consolidation they only had two years left to run on their loan. By consolidating the loan into their mortgage, the cost of the debt to Mr and Mrs C increased and it was now secured against their property.

I can see that the paperwork notes that *“the overall cost of repaying these liabilities is likely to increase as the term is longer..... you wish to proceed with this arrangement because having one manageable payment is more important to you.”* In the same document, there is an illustration which sets out the total cost of the mortgage, consolidating the debt and without it.

But, I don't think it is clear from this how much extra Mr and Mrs C would be paying for the loan with Nationwide. And I don't think there was an urgency to consolidate this loan. Although their disposable income would have reduced I think they could have managed their finances and I think they should have been advised how much extra they would be paying to consolidate the Nationwide loan. If they would have known how much this debt would have cost them over the nine year term, I am not satisfied that they would have still consolidated this debt. So I uphold this complaint.

### **my final decision**

For the reasons set out I uphold this complaint. Legal & General Partnership Services Limited should re-work the account as if the Nationwide loan had not been consolidated:

So Legal & General Partnership Services Limited should:

- work out the amount paid to date in capital and interest payments for the consolidated debt to Nationwide.
- Calculate how much remains on Mr and Mrs C's mortgage balance in relation to the Nationwide consolidated debt.
- Work out how much would have been paid to clear the debt if it had not been consolidated and
- Add together the first and second figures, take away the third and then pay this sum as a lump sum.

In addition any broker fee or charges paid in relation to the consolidated debt to Nationwide should be refunded together with 8% simple interest per annum if paid up front or at the mortgage rate if added to the mortgage balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 16 November 2015.

Nicola Woolf  
**ombudsman**