

complaint

Mr R, through a claims manager (CMC), complains that he received unsuitable mortgage advice from a representative of Legal & General Partnership Services Limited (L&G).

background

In 2009, after taking advice from L&G, Mr R took out a new mortgage. He repaid his existing mortgage, along with an unsecured loan.

In 2015 Mr R complained the advice to consolidate the unsecured loan was unsuitable. He also complained that the new mortgage was more expensive than his previous mortgage.

L&G didn't uphold the complaint about unsuitable advice. It was satisfied that the offset mortgage Mr R took out was the best product for his needs at the time. It gave Mr R stability over a two-year fixed rate period. L&G also said that, although the new mortgage was more expensive than Mr R's previous mortgage and loan repayments, it kept his monthly spending at "a similar level".

But L&G noted that Mr R would have been better off if he'd opted for the 'free legal costs' package rather than the £200 cashback. It offered to pay the following amount:

Legal costs paid	£498.99
Interest	£133.26
Less cashback	(£200.00)

Total: £432.25

Mr R didn't accept and brought the complaint to us. The adjudicator thought the consolidation of the unsecured debt wasn't in Mr R's best interests. This is because he was satisfied Mr R would have repaid this over the short term. So the adjudicator asked L&G to compensate Mr R for the extra expense of consolidating that debt into the new mortgage.

Mr R accepted the adjudicator's findings but L&G disagreed with the adjudicator. It maintains that Mr R is better off by rolling up the unsecured debt into the mortgage particularly as it was an offset facility.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the adjudicator's conclusions, for largely the same reasons.

L&G says that the bonus wasn't guaranteed and so the advice to consolidate the debt into the mortgage and offset any potential future bonus was correct. But the adviser's report clearly refers to "*an upcoming bonus of around £3,500*".

Mr R had accumulated some past debt and told the adviser he had a tendency to build up debt. In the circumstances his desire to repay the unsecured loan was understandable. I'm not persuaded that rolling it up into a long-term secured debt was the most suitable advice for Mr R in his particular circumstances.

The adviser also highlighted concerns about Mr R not making overpayments and that Mr R would need to plan his future expenditure carefully. So, given these concerns, repayment of a short-term debt was, in my opinion, more suitable than consolidating it into the mortgage.

my final decision

My decision is that I uphold this complaint. In settlement I require Legal & General Partnership Services Limited to do the following:

- calculate the monthly payments including the capital and interest paid to service the consolidated debt from mortgage completion to the date of settlement;
- calculate the amount of the debt still outstanding as part of the mortgage balance as at date of completion;
- calculate how much it would have cost the consumers to pay back the debt had it not been consolidated - this is the monthly payment times the number of months left;
- add together the first two figures, deduct the third and pay the result as a lump sum;
- the amount of the broker fees and charges in respect of the consolidated debts should be refunded at 8% simple interest per year if paid up front, or at the mortgage rate if added to the mortgage;
- pay £432.25 in respect of legal costs.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 February 2016.

Jan O'Leary
ombudsman