

complaint

Mr and Mrs M complain through their Claims Management Company that the appointed representative of Legal & General Partnership Services Limited gave them unsuitable advice to consolidate their debts into a new mortgage in 2005. They would like to be returned to the financial position they would have been in had they not got this advice.

background

In 2005, Mr and Mrs M, following a client review, got advice from Legal & General to remortgage and take on additional borrowing. At that time, they had a mortgage of £76,426.73 on a part repayment and part endowment basis. They had unsecured debts including loans and credit cards of about £26,000 for which they were paying £571 per month. Mr and Mrs M also had a bank overdraft.

Legal & General recommended that they take out a mortgage of £135,000 over a 10 year term. As a result, Mr and Mrs M consolidated all their existing unsecured debts and they got £25,000 for home improvements.

Our adjudicator felt that there were significant benefits to Mr and Mrs M taking out this mortgage and that it wasn't unsuitable. Mr and Mrs M disagree and asked for a review.

my findings

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

Back in 2005, Mr and Mrs M were both employed and living in their own property with a mortgage. They had a family composed of two young daughters. Mr and Mrs M met with an adviser who did a fact find which showed that they were living just above their means and so, had acquired a number of debts which were over £20,000 in total.

I noted that there is a slight discrepancy in the income figures between a number of documents but it seems clear given that there were no family savings and several unsecured debts that there was no "*healthy surplus family income*" as Mr and Mrs M's adviser suggests.

Mr and Mrs M also wanted to borrow £25,000 for home improvements. The adviser recommended increasing the mortgage and consolidating the unsecured debt. The problem with such a recommendation is that the repayment of the unsecured debt will cost more as it would now be spread over the remaining term of the 10 year mortgage. Also in this case, a small amount of the unsecured debt was interest free, so interest was being added which didn't exist before.

Legal & General say that the adviser recommended that Mr and Mrs M consolidate their debts to reduce their outgoings and to offset the additional cost of the extra £25,000 raised. Legal & General says that "*Considering their prior spending consolidating debt was important as I don't believe that they could have afforded to retain any of their debts outside*

the mortgage". The initial new mortgage interest rate was 4.89%, which was lower than the existing variable rate they were paying.

The new mortgage monthly payment was £1,117.87. The previous payments towards the mortgage and the unsecured debts, according to the fact find were £1,256.00. So, after the remortgage even with the additional borrowing of £25,000, Mr and Mrs M had reduced their monthly payments. I believe that this would have been significant to them given the tightness of the margins between their income and expenditure

It seems to me from the documentation I have seen that the implications of what they were doing were clearly explained to Mr and Mrs M. I have noted that Mr and Mrs M's initials appear on all the pages of the suitability letter dated 5 May 2005 which indicates that it was gone through in detail with them.

My view is that I don't consider that Legal & General's recommendation was unsuitable advice for Mr and Mrs M in the circumstances they were in. It released money to them, they paid a lower interest rate on their mortgage and in circumstances where their income was tight, and it reduced their monthly outgoings. I also believe that the downsides of this, including losing the interest free element of the credit card payments were clearly set out in the suitability letter and that it suited them to make one rather than several payments each month.

I note that in its email to us of 13 March 2018, Mr and Mrs M's representative suggests that further information would have been beneficial such as figures setting out the relative cost of consolidating and not consolidating the debt. But my view is that Mr and Mrs M were clearly alerted to the problems of consolidating debt and if they wanted further information about this, they could have asked at the time. I believe that the advice offered by Legal & General suited their circumstances at the time. For that reason I don't consider that the advice given was unsuitable and so I can't fairly uphold this complaint

Mr and Mrs M's representative also raised a number of other issues. When they redeemed their existing mortgage, Mr and Mrs B had to repay part of the cashback incentive - £460 - that they received when they took out the original mortgage. This could have been avoided had completion been delayed.

On the other hand, as Mr and Mrs M were now paying a lower interest rate, there would have been some saving in completing earlier and not waiting for this period to expire. Mr and Mrs M also wanted money for home improvements and I recognise that earlier access to the money to do so would have been welcome to them. So I don't believe that Mr and Mrs M were disadvantaged by having to repay this incentive to the original lender.

The representative also refers to undisclosed commission but there is no evidence that such was paid. Finally the representative has referred to a legal administration fee of £250 plus Vat charged by Legal & General. This doesn't appear to have been a hidden cost. Legal & General say they informed Mr and Mrs M about this at the first meeting. It appears to have been a fee related to administrative tasks associated with the mortgage. Mr and Mrs M signed a form of authorisation which allowed the solicitor to deduct it from the mortgage money. This indicates that they were aware of the fee and content that it be paid. For the above reasons I can't fairly uphold this complaint.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 9 September 2018.

Gerard McManus
ombudsman