

complaint

Mr and Mrs B complain that the mortgage advice that they received from Legal & General Partnership Services Limited was unsuitable.

background

Mr and Mrs B had an existing mortgage and a number of unsecured debts. L&G recommended that they re-mortgage and consolidate their debts. The new borrowing agreement included both secured and unsecured elements – all over an 18 year term. Mr and Mrs B complain through their representative that the fees involved, including an early repayment charge (ERC) of over £4,900, were disproportionate. This new mortgage recommended in July 2007 had a higher interest rate and they could have reorganised their finances in a better way.

The adjudicator recommended that the complaint be upheld in part. She said that:

- An element of the borrowing related to an insurance policy - but this complaint is dealing with the mortgage advice.
- Mr and Mrs B had an existing mortgage of £138,000 at an interest rate fixed at 4.79% until November 2010 with a monthly repayment of £943. And they had unsecured debts of £25,000 including a car loan of £15,000.
- The repayment mortgage recommended was for £171,000 with an interest rate fixed for two years at 7.39%, together with an unsecured loan of £13,700 at a similar rate. This was all over an 18 year term.
- They then had monthly net income of £2,900. Based on their current outgoings they had disposal income of only £56. This rose to £224.99 (or £150.08 after deduction of the new insurance premiums) as a result of the re-mortgage.
- The car loan was at a broadly similar interest rate to the new mortgage and the other unsecured debt was at a higher rate.
- She didn't think that their original position before the re-mortgage was sustainable especially given that they had two young children. She did not think that the advice from L&G was unsuitable.
- There did not seem to be any credible alternative for them and they would not have managed until the ERC expired. They were re-mortgaging at a level over the value of the property and this restricted the lenders open to them at the time.
- She did not think it would have been easy to find an unsecured loan for the amount of their debts. And as they were seeking mortgage advice that suggested they'd ruled out other means. After the fixed rate expired they could review their position.
- The record of suitability indicated that the advice had been discussed in detail with Mr and Mrs B. And that they agreed with the reasoning.
- She accepted as L&G said that there had been no need to add a fee for a will writing service to the mortgage, attracting interest over the term. L&G had offered a refund of the interest payable of £108.21 plus a payment for trouble and upset of £150 making a total of £258.21.

Mr and Mrs B did not agree and wanted the complaint to be reviewed. The representative said that the key issues raised are that the increase in disposable income did not justify the costs involved. While disposable income was tight it was still positive. The issue was the monthly payment for credit card debt of £400 (balance £8,900). The most obvious solution was for a small further advance or an unsecured loan to address this. And refinancing the car loan was not appropriate as the car was a depreciating asset. This new mortgage also

left Mr and Mrs B liable to further refinancing fees when the new fixed rate ended earlier in 2009. The fees involved in this re-mortgage were disproportionate.

my findings

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

The existing mortgage is noted as having been taken on 2 November 2005. And the car loan of £15,000 was taken in July 2006 with a monthly repayment of £298. By July 2007 Mr and Mrs B were talking to L&G about their financial position. And I agree with the adjudicator that this was because they had little disposal income and a number of debts. I've reviewed their budget planner and it already seemed based on very tight assumptions and with little if any room for extras, especially given their personal position. I'm satisfied that their other unsecured debt, including an overdraft at the limit had built up as a result of financial pressures. And that this was the reason that they were considering re-mortgaging only about 18 months after taking the existing mortgage.

I'm not persuaded that the advice to re-mortgage was unsuitable. As the adjudicator says that recommendation was explained in detail and the costs involved were made explicit. I also agree it was unlikely Mr and Mrs B could have waited until they were no longer liable to pay an ERC before dealing with their financial position. That's supported by them taking this advice and knowing the costs involved. I also don't think that there were likely options open for them to take further unsecured debt or extend those commitments. They'd already done this in 2006 and their other borrowing was approaching the account limits. I appreciate the point that their disposal income remained low after the re-mortgage. But it had increased and it was clear what their new commitment was.

I don't have anything to add to what the adjudicator's said about adding the will writing costs to the mortgage. The resolution suggested - a total payment of £258.21- for this is reasonable.

my final decision

My decision is that I do not uphold this complaint in the sense that Legal & General Partnership Services Ltd need do no more than it has already offered to.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 11 June 2018.

Michael Crewe
ombudsman