

## **complaint**

Mr and Mrs H complain they were mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited.

## **background**

Mr and Mrs H already had a mortgage. They were coming to the end of an interest rate product. They took advice from L&G, and re-mortgaged to another lender, consolidating unsecured debt as they did so.

Mr and Mrs H are represented by a claims management company, which says the mortgage advice was unsuitable. The CMC says that Mr and Mrs H were able to maintain their monthly payments and could have taken a new interest rate from their existing lender. If they did need to move mortgage, L&G didn't recommend the cheapest one available. The broker charged them excessive fees, including fees for a legal service they didn't need. And it received commission from solicitors it recommended, without declaring that to Mr and Mrs H.

L&G offered to refund the commission and pay £100 compensation, which the CMC accepted. Our adjudicator thought that, overall, a suitable recommendation had been made, but he didn't think all of the debt needed to be consolidated. Mr and Mrs H's representative didn't agree, so the case comes to me for a decision to be made.

## **my findings**

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

Mr and Mrs H took a part repayment, part interest only mortgage. Their representative doesn't take issue with this, and the fact find records they had endowment policies projected to reach more than the interest only element. So there's no evidence the overall type of mortgage was unsuitable.

Mr and Mrs H had significant unsecured debt – including credit cards, store cards and an overdraft as well as a loan. They were paying around £800 per month to their unsecured debt, which contributed to their outgoings exceeding their income by £200 per month. In total they consolidated around £30,000 of unsecured debt. One interest free kitchen loan was left unconsolidated.

I think the level of their debt – and the amount it was costing them each month – showed that they had a real need to re-mortgage. While it's true that it generally costs more to add unsecured debt to a mortgage – because interest is added over a much longer term – that's not always the case with large credit card debts where only the minimum is paid each month. And in this case, I think the real need was to reduce Mr and Mrs H's monthly outgoings, and the other consequences of debt consolidation were a price worth paying to achieve that.

However, I agree with the adjudicator that it doesn't follow that because *some* debt needed to be consolidated, *all* debt needed to be. The broker didn't include the kitchen loan, for example. And I think it would have been right to leave the overdraft out too, since it was a relatively low amount, and with the savings made from consolidation Mr and Mrs H would have had no further need for it and could have cleared it within a few months – around eight

at the most. So, to that extent and that extent only, I don't think the debt consolidation recommendation was suitable. I think L&G should refund the interest they've been charged on the consolidated overdraft – though not the overdraft amount itself, since they would always had to pay that off. Mr and Mrs H can use the interest refund, if they choose, to reduce the mortgage balance to mitigate the effect of having consolidated the overdraft.

As for the lender L&G selected, I note that Mr and Mrs H needed to borrow considerably more money. Although the recommended lender didn't have the cheapest products available, it allowed self-certification mortgages at high income ratios – and that was what Mr and Mrs H needed to raise enough money to make the debt consolidation worthwhile.

I've looked at what Mr and Mrs H were told at the time, and I think the various fees were clearly set out to them. While L&G's representative wasn't the cheapest broker on the market, it offered a service to Mr and Mrs H that they were prepared to pay for at the time. It's not for me to set the price of broking services, and I don't think the fees charged were so unreasonable that fairness demands I interfere.

### **my final decision**

For the reasons I've given, my final decision is that I think Legal & General Partnership Services Ltd has made a fair and reasonable offer in respect of the commission. In addition, it should refund to Mr and Mrs H the mortgage interest charged on the consolidated overdraft, running from eight months of completion of the mortgage to the date of refund, less the interest Mr and Mrs H would have paid had the overdraft been paid off in 8 equal instalments.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 9 January 2020.

Simon Pugh  
**ombudsman**