

complaint

Mr and Mrs H complain about the advice given to them by AWD Home Finance Limited, a mortgage broker and an appointed representative of Legal & General Partnership Services Limited. They say they were mis-sold a mortgage and a will package. A claims management company (CMC) brings this complaint on Mr and Mrs H's behalf.

background

L&G recommended a mortgage to Mr and Mrs H in 2008. The CMC says the advice given to Mr and Mrs H to re-mortgage and consolidated debts was unsuitable. It says Mr and Mrs H incurred an early repayment charge (ERC) of about £2,300. This and other costs were added to the mortgage loan. And the re-mortgage didn't reduce the interest only part of the mortgage.

Our adjudicator didn't recommend that Mr and Mrs H's complaint about the suitability of the mortgage advice should be upheld, saying:

- Mr and Mrs H main reason for re-mortgaging was to consolidate debts and avoid interest rate changes. They weren't making minimum payments for one of their credit card accounts and were incurring overdraft charges. The re-mortgage and debt consolidation allowed them to reduce their monthly outgoings.
- Mr and Mrs H were aware of the ERC payable to their previous lender. Mr and Mrs H wanted to proceed as they were worried about interest rate changes. Their previous mortgage had a variable rate.
- Mr and Mrs H agreed that fees associated with the mortgage would be added to the mortgage loan. There was nothing to suggest they could have paid the fees from savings.
- Part of Mr and Mrs H's previous mortgage was on an interest only basis, as was part of the recommended mortgage. There were endowment policies in place. The increased borrowing was on a repayment basis.

Our adjudicator said the recommendation to buy a will package was reasonable. But adding the cost to the mortgage was poor advice. He said L&G's offer to refund the interest on the cost of the will and £150 for trouble and upset was fair and reasonable.

The CMC responded on behalf of Mr and Mrs H to ask that the complaint be passed to an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

the mortgage advice

L&G recommended the mortgage. So it needed to take reasonable steps to ensure the mortgage was suitable – including gathering information about Mr and Mrs H's needs and circumstances. L&G provided copies of the mortgage paperwork, including the client review and a mortgage record of suitability.

These documents say Mr and Mrs H's main aim was to avoid the uncertainty of interest rate changes. They wanted a three year fixed rate as they wanted to review arrangements in 2011 when the endowment policies were due to mature. The documents say Mr and Mrs H were comfortable with part of their mortgage being on an interest only basis and the endowment policies they had in place.

Mr and Mrs H wanted to consolidate credit card debts of about £8,500. The documents say Mr and Mrs H understood that consolidating short term debt into the mortgage would be more costly overall, but they wanted to reduce their outgoings. The documents provided by L&G say Mr and Mrs H weren't making minimum payments for one of the credit cards. It's unlikely Mr and Mrs H were in a position to repay their unsecured debts from income or savings.

Mr and Mrs H made monthly payments for their previous mortgage and credit cards of about £1,400. After taking out the new mortgage their monthly repayments were £1,318.

An ERC was payable to Mr and Mrs H's previous lender. Based on the evidence, I think they were aware of this and decided to proceed. The ERC applied until early 2011. The mortgage paperwork says Mr and Mrs H wanted to clear their credit card debts and secure a lower fixed interest rate to maximise savings immediately.

Mr and Mrs H incurred other costs in re-mortgaging, such as lenders and brokers fees and conveyancing costs, of about £4,000. I don't think it was unreasonable or unusual for these fees to be deducted from the mortgage proceeds. Mr and Mrs H agreed to this. It seems unlikely they had other means of paying the fees.

There were costs involved with the re-mortgage and debt consolidation. But, overall, I don't think the recommendation was unsuitable. It met Mr and Mrs H's aims – to fix their interest rate and consolidate debts. I don't think Mr and Mrs H would have wanted to wait until the ERC was no longer payable to their previous lender. They were concerned about interest rate rises during that time. The recommended mortgage had a fixed interest rate which was lower than Mr and Mrs H's previous variable rate. Their monthly outgoings reduced as a result of the re-mortgage and debt consolidation and they had the certainty of knowing that their payments wouldn't increase for three years.

the wills package

I don't think the broker's recommendation that Mr and Mrs H buy a will package was unsuitable. There was equity in their home and getting a will meant they could decide who would inherit that asset. So I think the recommendation was reasonable.

L&G referred Mr and Mrs H to a third-party will company. Its letter to Mr and Mrs H said the will company would contact them directly to discuss their will requirements.

If there are any concerns about the will Mr and Mrs H should contact the will company. The third-party will company isn't covered by this service, and it's not for me to say what was a reasonable amount for it to charge.

I think that adding the cost of the will package to the mortgage was poor advice. It meant that Mr and Mrs H had to pay interest on that cost over the whole mortgage term. L&G has accepted this was wrong, and it has offered to refund the interest on the cost of the will over the term of the mortgage, plus £150 for Mr and Mrs H's inconvenience. I think that's a fair way to put things right. It makes good Mr and Mrs H's loss, and compensates them for the inconvenience in having to make slightly higher mortgage payments than they would otherwise have made.

my final decision

My decision is that I do not uphold this complaint as I find the compensation offered by Legal & General Partnership Services Limited is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 7 September 2019.

Ruth Stevenson
ombudsman