

complaint

Mr P complains that he was given unsuitable mortgage advice to consolidate an unsecured debt by an appointed representative of Legal & General Partnership Services Limited (L&G).

background

Mr P wanted to raise money for home improvements and re-mortgaged in 2005. He was advised by L&G to consolidate £5,500 of credit card debt which had a 0% per annum introductory interest rate.

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

- The increase in Mr P's disposable income, from £457 per month before the mortgage to £517 after the re-mortgage, was outweighed by the total increase in the cost of the consolidated debt over 23 years.
- There wasn't any evidence that Mr P needed to consolidate the debt or that it would become unaffordable for him after the introductory period.
- If Mr P had not consolidated the debt his monthly disposable income would have fallen to £400 which she did not think was unmanageable.
- Mr P should be put in the position he would have been if he had not consolidated the debt including a pro-rata refund of the broker fee.

L&G did not agree and said, in summary, that it was not sustainable to make the minimum payment on the credit card debt and that Mr P had a young family and probably other expenditure that had not been captured in the client review form. It said that too much weight had been put on one page of the form that only contained basic information.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The client review form was the basis for the mortgage advice and the related assessment of whether the mortgage was affordable. If there was information not captured then the only person who can now reliably fill in any gaps is Mr P.

The credit card debt was being paid back at £150 per month which according to the form was above the minimum repayment. All of this was reducing the amount outstanding. There is no information about how long the introductory rate would last for. As Mr P had no recorded payment difficulties, it is likely he could have switched to another deal if he wanted to. But he also had disposable income and I cannot see a basis for the debt being consolidated.

I find that the advice to consolidate this debt was unsuitable.

my final decision

In light of the above my decision is that I uphold this complaint. I order Legal & General Partnership Services Limited to:

- 1) Make redress for the debt consolidation by:
 - a. Calculating the amount Mr P has paid, in monthly payments, in respect of that part of the mortgage payment represented by the consolidated debt;
 - b. Calculating how much of the consolidated debt is still outstanding as part of the mortgage balance as at date of settlement;
 - c. Calculating how much Mr P would have had to pay to repay the debt had it not been consolidated;
 - d. Adding together the first two figures and deducting the third and paying the result as a lump sum to Mr P.
- 2) Refund the proportion of the broker fee relating to this consolidated debt (on a pro-rata basis).
- 3) Pay interest on the fee refund. This should be calculated at either simple interest of 8% per annum if the fee was paid up front or at the mortgage interest rate if added to the mortgage. It should apply from the date the fee was paid or added to the mortgage to the date of settlement. If tax is deducted from any payment then a tax deduction certificate should be provided.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 27 July 2015.

Michael Crewe
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