

## **complaint**

This complaint is about a mortgage arranged for Mr M and Ms M by an adviser connected with Legal & General Partnership Services Limited (L&G).

Mr M and Ms M feel that advice to consolidate a car loan was unsuitable. And they're also unhappy that L&G recommended consolidating two credit cards that were on 0% deals. They feel they've been financially disadvantaged as a result. To resolve this complaint, Mr M and Ms M want L&G to pay them compensation.

Mr M and Ms M are represented by a third party I'll call 'R'.

## **background**

In 2010, Mr M and Ms M's fixed rate mortgage was coming to an end. They wanted to fix their mortgage repayments again rather than face the uncertainty of being on a variable rate. Remortgaging in line with L&G's recommendation achieved this.

But Mr M and Ms M are concerned that the adviser also suggested they borrow extra on the new mortgage to pay off two credit cards and a loan. They believe they've lost out in money terms by consolidating this debt.

When they first complained to L&G, its view was that the remortgage advice was suitable. And although Mr M and Ms M didn't need to consolidate debt, they weren't worse off as a result of having done so. L&G worked out that they'd made savings overall. But it acknowledged that as a result of the advice to consolidate debt, Mr M and Ms M paid an extra broker fee of £636.86. And as they paid this from the proceeds of the remortgage, they'd paid extra interest of £153.42. So L&G offered to refund these amounts to Mr M and Ms M.

Following further correspondence with R, L&G changed its view slightly. It said revised information from R showed Mr M and Ms M had made a financial loss of £1,431.51. So L&G offered to refund this as well, together with £790.28 in respect of the broker fee plus interest previously offered. And L&G also said Mr M and Ms M didn't get the benefit of their lender's 'free legal costs' deal – Mr M and Ms M paid legal costs of £335. So L&G also offered to refund this amount, together with the extra interest they paid (£82.32) because this was paid from the proceeds of their mortgage.

This brought L&G's total offer to £2,639.11.

Mr M and Ms M were unhappy with this response and asked this service to look into their complaint.

Our adjudicator recommended upholding the complaint. When she first looked at the figures involved, our adjudicator felt that L&G's advice to remortgage was suitable. Taking out a new two year fixed rate gave Mr M and Ms M certainty about their monthly mortgage repayments which was what they'd wanted. And our adjudicator worked out that they'd made savings by paying off one of their credit cards. But she felt the rest of the debt consolidation hadn't been suitable - and it left Mr M and Ms M worse off in money terms. So she set out her proposals for redress.

Since then, our adjudicator has been persuaded that it's fair and reasonable to say that although Mr M and Ms M's 0% deals would've soon come to an end, it's likely that they would've taken out new 0% deals for that borrowing. So including this debt in the remortgage has proved to be an even more expensive option for them. And L&G should revise its calculation to take account of this.

L&G disagrees. It says (in summary):

- its adviser talked at length to Mr M and Ms M about consolidating debts and the implication of adding the debts to their mortgage, including the potential cost over the mortgage term
- this enabled Mr M and Ms M to make an informed choice about how they wanted to proceed
- taking advantage of consolidating their credit cards debts to the mortgage with an interest rate of 4.99% avoided the risk of paying very significantly higher interest rates if they were unable to find further 0% deals
- when Mr M and Ms M remortgaged there was a great deal of uncertainty following the financial crisis in 2009 and no guarantee that 0% credit cards would continue to be available. In the event, 0% credit did continue. But we must look at the financial climate at the time of the advice

So the complaint has been referred to me.

### **my findings**

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

There doesn't appear to be any ongoing dispute about the suitability of the mortgage advice generally, the consolidation of the car loan or the legal costs issue.

So I'm concentrating in my decision on what seems to me to be the key point in dispute – could Mr M and Ms M fairly and reasonably have expected to be able to take advantage of further 0% credit card deals when they remortgaged?

I've taken into account that Mr M and Ms M clearly understood that making balance transfers to get the benefit of 0% credit offers was a good strategy for keeping the cost of credit card borrowing to a minimum. They had ample disposable income and there's nothing to suggest any money problems. So they could've kept an eye out for good deals and taken advantage of these when they wanted to. On balance, I find it's likely that Mr M and Ms M could've got further 0% interest rate credit cards – and they'd have done this.

I can see that debt consolidation was discussed with L&G and the extra costs are mentioned in the mortgage paperwork. But adding their credit card debts to the mortgage added significantly to its overall cost.

In coming to my decision, I've taken into account that balance transfer fees would've been payable each time Mr M and Ms M took out a new 0% deal. But I think they'd probably still

have made savings overall. And they'd have avoided changing unsecured debts into a debt secured on their home in circumstances which I don't find were justifiable.

It's my view that Mr M and Ms M would've been better off overall *not* consolidating *any* of their debt into their new mortgage. And if L&G had given them suitable advice about this they probably wouldn't have done. But otherwise, I'm satisfied that the mortgage advice wasn't unsuitable.

So, to put things right, L&G should take the steps I've set out below.

**my final decision**

I uphold this complaint and I order Legal & General Partnership Services Limited to pay Mr M and Ms M as follows:

- (A) work out the amount paid to date in capital and interest payments for the consolidated debt (both credit cards and the car loan);
- (B) calculate how much remains on Mr M and Ms M's mortgage balance for the consolidated debt;
- (C) work out how much would've been paid to clear the debt if it hadn't been consolidated; and
- (D) calculate (A) + (B) – (C) and pay this amount as a lump sum
- (E) pay Mr M and Ms M £335.00 to cover their legal costs, plus interest at the mortgage rate
- (F) refund the amount of the broker fee/charges charged in respect of the consolidated debt and legal fees, plus interest at the mortgage rate
- (G) if the refund is paid to Mr M and Ms M's mortgage L&G should cover any resulting additional costs they incur

Under the rules of the Financial Ombudsman Service, I'm required to ask R on behalf of Mr M and Ms M to accept or reject my decision before 5 September 2016.

Susan Webb  
**ombudsman**