complaint

Mrs J complains that she was given poor advice by an authorised representative of Legal & General Partnership Services Limited (L&G) when she re-mortgaged her house in 2005. Mrs J, who is represented by a claims management company (CMC), says this advice means she has suffered extra costs of about £12,000 over a five year period.

background

Mrs J had a fixed rate, interest only mortgage and a secured loan, totalling about £42,000, and the fixed rate period was about to end. L&G recommended that she re-mortgage with a new lender. Mrs J's representative says that Mrs J could likely have arranged a new mortgage product with her existing lender and paid less in fees and costs over the following years. It also says that L&G shouldn't have advised Mrs J to consolidate her other debts onto the mortgage as she was transferring short term debt onto the mortgage, which would increase her costs longer term. It also says L&G probably contacted Mrs J without her having indicated she was interested in its services.

L&G says that it took into account Mrs J's particular circumstances and as a result Mrs J was able to consolidate her debt and repay the mortgage in full after 6 years. It says that prior to this Mrs J's mortgage would have run for 23 years with the strong likelihood of a shortfall at the end of the period, which Mrs J would have had to pay.

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 CMC has raised numerous points throughout this complaint, and I have grouped these into several categories.

Was the adviser's approach to Mrs J acceptable?

The CMC says that in the absence of any other evidence, L&G must have cold called Mrs J to try to sell her a mortgage. L&G says its representative only contacted people after it had carried out a marketing exercise and got a positive response. There isn't any evidence to say exactly what happened. But I don't think how the initial contact was made between Mrs J and L&G affects my ability to reach a fair decision about whether the advice was suitable.

Did the adviser take into account Mrs J's existing circumstances?

Mrs J had an interest only mortgage and secured loans of about £42,000, and some unsecured debt – a further £8,000 or so. Some of the unsecured debt was on 0% interest. From the fact find I have seen, those details were clearly shown, so I'm satisfied the full extent of Mrs J's debt was considered.

The fact find also shows that Mrs J had several endowment policies that were to be used to pay off part of the capital on the mortgage when it ended. There was a shortfall of about £21,000 if she used the entirety of these. Mrs J also had some savings – about £13,000. So, at the point where Mrs J was considering re-mortgaging her house, she had a shortfall of about £7,000.

Mrs J says that she should have been advised to stay with her old lender and re-negotiate a new product. I don't know why she didn't choose to talk to her existing lender, as it seems from correspondence that she was invited to do that. Nor do I know whether her existing lender could match the cost, amount and term of her new mortgage. I can see that the broker looked at the whole market for Mrs J after establishing what she wanted going forwards, so I don't think she was necessarily disadvantaged by using L&G's services.

Did the adviser recommend a product that was suitable for Mrs J?

The adviser recommended a mortgage that consolidated all of Mrs J's debt. That's not always a suitable recommendation, as it would have transferred Mrs J's short-term debt (that's her unsecured loans, which she would probably have paid off over about five years) onto a longer term basis. That could have been many years more, bringing with it additional interest and cost, especially as some of the short term debt was at 0% interest.

However, in Mrs J's case the new mortgage was for only six years – whilst her old mortgage had about 23 years left to run. And the new mortgage was also on a part interest/part repayment basis. I'm satisfied that this would have:

- Reduced the overall interest and cost Mrs J would pay on the mortgage substantially. If Mrs J had continued with her old mortgage, I estimate the difference in payments to be about £20,000 more over the 23 years it had left to run than Mrs J was due to pay on the new six year arrangement.

- Reduce the term of the mortgage – from 23 years to six. I think this might have been important to Mrs J as part of her income was benefits for her children, and this would probably have stopped within a few years.

- Largely aligned the term of the mortgage with when the endowment policies were due to pay out. It also reduced the amount of the endowment policy shortfall from about £21,000 to about £9,000. So Mrs J was moving from a position where her endowments and savings wouldn't clear her mortgage to a position where they would both do that and leave her with some spare cash.

- Reduce Mrs J's monthly payments towards her entire debt from about £770 to £512. Whilst I accept that Mrs J was meeting all of her existing commitments, that reduced payment might have been important to Mrs J.

I accept that the adviser recommended that Mrs J transferred her 0% interest debt – more than half her unsecured debt – onto the interest bearing mortgage. I see that one of the debts – £4,000 – was on a credit card. Such cards often offer an interest free period, but it's mostly only for a limited time. If Mrs J wanted to avoid interest she would have had to pay a substantial amount each month to clear the debt during the interest free period, or use her savings. Mrs J also had a loan that attracted a much higher rate of interest – about 18% - on a loan of about £4,000, which was also due to run for longer than the new mortgage.

I think overall, that the combination of a lower monthly payment, a much reduced mortgage term and the ability to meet the capital repayment in due course was beneficial to Mrs J.

Did the adviser treat Mrs J fairly?

I don't know exactly what was said during Mrs J's meeting with L&G. But from the paperwork I have seen, Mrs J was asked to sign each page of the fact find and key information provided by the adviser. Some of those pages have an additional comment "received and understood" in what seems to be Mrs J's handwriting. So it does appear that Mrs J was actively involved in the discussion. Mrs J says she would have relied on the advice given rather than the documents. I said above that I was satisfied that the recommendation for Mrs J brought benefits. So even if the explanation and information about the new mortgage and its costs could have been better – and I don't know if they could have been – I don't think this would have changed her decision.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs J to accept or reject my decision before 16 July 2015.

Susan Peters
ombudsman