Financial Ombudsman Service

complaint

Mr and Mrs F complain that Think Loans and Mortgages Limited ("Think") advised them to;

- take out an interest only mortgage without a suitable repayment vehicle;
- did not explain the implications of consolidating their existing unsecured debts, and;
- incorrectly recommended a self-certified mortgage.

Mr and Mrs F are represented in this matter by a third party.

background

In 2007 Mr and Mrs F were advised by Think to take out a self-certified interest only mortgage and consolidate existing unsecured debts, including debts that were part of a debt management programme. At the time the advice was given Mr and Mrs F told the mortgage adviser that they wanted to remortgage and consolidate their existing unsecured debts and to reduce their monthly outgoings.

In 2012 Mr and Mrs F's representative contacted Think to complain that the advice they had been given in 2007 was not suitable.

Our adjudicator did not recommend that the complaint should be upheld. He said that based on the information that had been provided by both parties he could not reasonably agree that the advice given was unsuitable.

Mr and Mrs F's representative did not accept our adjudicator's view and referred to what it considered to be breaches of the Financial Conduct Authority's Mortgage Conduct of Business Rules.

my findings

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

I am mindful of all the points that Mr and Mrs F's representative have made and in reaching this decision I have considered all the relevant regulations. However, I should explain that this service is not the industry regulator and we do not enforce the Financial Conduct Authority's rules – rather we determine complaints on the basis of what we consider is fair and reasonable in the individual circumstances of the complaint.

self-certification

I appreciate that Mr and Mrs F's representative feels that the mortgage adviser should not have recommended a self-certified mortgage, on the basis that a mortgage product which required income to be verified may have been cheaper. Mr and Mrs F's representative has not provided anything to support this claim. However, Think has confirmed that it has reviewed the mortgage products available at the time the mortgage was arranged in 2007 and said that:

"there was no difference in criteria for self-certified applicants compared with self-employed applicants providing proof of earnings. This means that self-certification hasn't impacted the interest rate offered to Mr and Mrs F".

In view if this I cannot reasonably agree that Mr and Mrs F were disadvantaged by the recommendation to take out a self-certified mortgage.

debt consolidation

Mr and Mrs F's representative has said that the mortgage adviser did not properly assess whether it was appropriate for them to consolidate their existing unsecured debts. I have very carefully considered this aspect of the complaint, particularly as there was a debt management plan in place at the time the advice was given.

I accept that the written documentation regarding this aspect of the advice does not provide a detailed assessment of all the unsecured debts. However as Mr and Mrs F and their representative have already been made aware, both meetings that Mr and Mrs F had with the adviser were recorded. I understand that Mr and Mrs F's representative has been offered a copy of these recordings.

Having reviewed the recordings of the conversations that Mr and Mrs F had with the adviser I cannot reasonably agree that their existing debts, including the debt management plan, was not discussed in detail, along with the implications of consolidating debt.

I am satisfied that the recordings of the meetings that Mr and Mrs F had with the mortgage adviser, together with the suitability letter summarising the advice, demonstrate that the implications of consolidating their unsecured debts was adequately discussed. I am also mindful that Mr and Mrs F told the adviser that they wanted to consolidate their debts and that the mortgage adviser explained the implications of securing these debts against their property. I cannot therefore reasonably agree that the mortgage adviser failed to explain the implications of debt consolidation.

interest only

Mr and Mrs F's representative has said that the mortgage adviser should not have recommended an interest only mortgage without a suitable repayment vehicle. I note that Mr and Mrs F told the mortgage adviser that their current mortgage was on an interest only basis and that they understood the difference between a repayment and interest only mortgage.

I must also take into account that the mortgage adviser discussed the possibility of re-mortgaging to a lower interest rate repayment mortgage in a few years' time once Mr and Mrs F had a track record of maintaining payments and their credit files were improved. From the recording of the meetings it appears that Mr and Mrs F told the adviser that they would prefer to remain on an interest only basis for the next few years in order to keep their monthly outgoings lower.

In view of this I cannot reasonably agree that the adviser did not discuss repayment of the mortgage. If Mr and Mrs F would like to transfer their mortgage to a repayment basis, I understand that they can do so at any time and should contact their lender to arrange this.

my final decision

Having very carefully considered all that has been said and provided my final decision is that I do not uphold this complaint.

Suzannah Stuart
ombudsman