

complaint

Mr L complains about advice he was given by AWD Home Finance Limited, a broker and appointed representative of Legal & General Partnership Services Limited. He says he was mis-sold a mortgage. A complaints management company (CMC) has brought this complaint on behalf of Mr L.

background

Mr L re-mortgaged in 2006 following advice from L&G. The CMC says the advice it gave to Mr L wasn't suitable. It says L&G shouldn't have recommended Mr L consolidate a loan which had an interest rate of 6.1%. And it says Mr L had to repay the previous lenders £1,000 "help with costs" benefit that had only 11 months left to run.

Our adjudicator didn't recommend that the complaint should be upheld, saying:

- Mr L wanted to raise capital for home improvements and reduce the term of his mortgage. Consolidating the loan and other unsecured debts reduced Mr L's outgoings. The interest rate on the new mortgage was lower. L&G made Mr L aware of the effects of consolidating the loan.
- the incentive had to be repaid if Mr L repaid his existing mortgage or took out a new mortgage product with his existing lender before mid 2007. Mr L's product had expired. Given Mr L's aims, it was likely he'd have gone ahead with the re-mortgage even if he'd known he'd have to repay the £1,000.

The CMC responded on behalf of Mr L to ask for the complaint to 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 broker recommended the mortgage to Mr L. So it needed to take reasonable steps to ensure the mortgage was suitable for him, including gathering information about Mr L's needs and circumstances. L&G provided copies of mortgage paperwork, including a client review and mortgage record of suitability.

These documents say Mr L wanted to raise £2,100 for a new bathroom. He wanted to reduce the term of his mortgage but also reduce his monthly outgoings so that he'd have more disposable income. He intended to make overpayments to reduce the term further.

Increasing the amount of Mr L's mortgage loan and reducing the term meant his monthly repayments increased – which would have reduced his monthly disposable income. The broker recommended consolidating Mr L's unsecured debts to reduce his monthly debt repayments.

Mr L had three credit card accounts (totalling about £3,000), an unsecured loan (about £12,000) and an overdraft. The monthly cost of Mr L's unsecured debt repayments was £437 and his monthly payments for his existing mortgage were £331 (totalling £768).

The broker recommended a mortgage with a 15 year term. This was about eight years shorter than Mr L's existing mortgage term. The initial interest rate was 4.44%. After taking out the new mortgage, with the additional borrowing and debt consolidation, Mr L's monthly debt repayments were £592.24. The broker set out the implications of consolidating debt – including a comparison of the overall cost of the mortgage with and without consolidating the unsecured debts.

Mr L had received a "help with costs" benefit of £1,000 from his previous lender. This was repayable if he repaid the mortgage or took out a new product with the same lender within three years of completion (mid 2007). The fixed rate product on Mr L's existing mortgage had ended and his lenders standard variable rate (SVR) of 5.99% applied. To avoid having to repay the £1,000, Mr L would have had to remain on the lenders SVR until mid 2007. The client review says Mr L was prepared to repay the £1,000 benefit.

Overall, I don't think the broker's recommendation was unsuitable. It achieved Mr L's aim of raising capital for a new bathroom, shortening the mortgage term and increasing his disposable income by reducing his monthly debt repayments.

my final decision

My decision is that I do not uphold this complaint.

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

Ruth Stevenson
ombudsman