complaint

Mr and Mrs G, represented by a Claims Management Company (CMC), complain they received unsuitable mortgage advice from The Mortgage Matters Partnership in 2005.

background

Mr and Mrs G had previously taken advice from Mortgage Matters in 2003. They were contacted by Mortgage Matters again in late 2005, following which they met with an adviser in November 2005.

At the time, Mr and Mrs G had a repayment mortgage of approx. £66,000 over a 13-year term, a secured loan taken out two months earlier for approx. £54,000 over 15 years and a small amount of credit card debt, so in total debts of approx. £121,000.

On the advice of Mortgage Matters, Mr and Mrs G redeemed their existing mortgage and secured loan and took out a new mortgage of £98,000 and unsecured loan of £30,000 with another lender – a total of £128,000 plus fees of just over £1,040 over a 19-year term. Mr and Mrs G incurred early repayment charges and closing charges in relation to both their previous mortgage and secured loan. They also incurred fees of over £2,500 to set up the new arrangements, of which just over £1,000 was added to the new mortgage balance.

In 2012 Mr and Mrs G, through the CMC, complained that the advice given was unsuitable. The CMC sent a detailed letter to Mortgage Matters setting out the basis of the complaint. Mortgage Matters disputed that the advice was unsuitable and so the complaint was brought to us.

Our adjudicator considered the complaint and didn't recommend it should be upheld. She was satisfied that the recommendation was suitable in the circumstances. The CMC disagreed saying, in summary, that the adjudicator hadn't taken into consideration the implications of consolidating the secured loan and the fact that the new arrangement was more expensive for Mr and Mrs G over the long term.

my first provisional decision

In my first provisional decision I explained that I had concerns over the sale of the mortgage. Specifically I noted that Mr and Mrs G had only recently taken out the secured loan, and they didn't appear to be in any financial difficulty which might have required them to re-mortgage so quickly. I invited both parties to provide further information.

my second provisional decision

Mortgage Matters responded in detail to my first provisional decision. The CMC did not respond and has since disputed that it ever received any request for further information. That request was contained in my first provisional decision. After reviewing the file, including the further representations made by Mortgage Matters, I explained that I didn't intend to uphold the complaint.

I was satisfied that Mr and Mrs G had a history of debt consolidation and that, on balance, I was persuaded they'd entered into the arrangement in the full knowledge of the implications of debt consolidation and of securing previously unsecured debt.

In response, the CMC has provided some documentation about Mr and Mrs G's financial position, along with what it says is its calculation of their claimed losses. Mortgage Matters has made no further points in response to my second provisional decision.

my findings

I have reconsidered everything Mr and Mrs G, the CMC and Mortgage Matters have said in this complaint in order to decide what is fair and reasonable in all the circumstances.

The CMC says it has now provided all the information I had requested about Mr and Mrs G's current financial circumstances. I had asked the CMC to provide evidence of *all* Mr and Mrs G's current indebtedness – whether secured or unsecured. I also asked for evidence of their outgoings.

But instead I've been provided only with information about the mortgage arranged by Mortgage Matters and debts repaid out of that, along with the repetition of previous arguments. Surprisingly, no mention has been made of another secured loan Mr and Mrs G took out in 2007 with a sub-prime lender and which appears on the Land Registry records for the property.

Given Mr and Mrs G's circumstances and borrowing history, I remain of the view that, on balance, the recommendation achieved Mr and Mrs G's aims of repaying existing debt and reducing their outgoings. I'm satisfied that Mortgage Matters provided appropriate warnings and advice about the implications of debt consolidation and that the cost of consolidation would increase the total amount repayable.

The mortgage review shows that Mr and Mrs G had told the adviser they had difficulty meeting monthly commitments or used debt to fund monthly outgoings. So in the circumstances, reducing their overall monthly repayments provided a solution to this situation. I do appreciate that, over the long term, the total amount to be repaid is higher under this arrangement, but the available evidence persuades me that Mr and Mrs G intended to reduce the term *"at next re-mortgage"*.

This is a finely-balanced case. At first glance, consolidating such a 'new' debt would seem to be unsuitable. But bearing in mind Mr and Mrs G's history of borrowing and consolidating debt, their need for a solution to using debt to fund monthly outgoings and their intention to reduce the mortgage term in the future, I'm satisfied that, overall, the recommendation was suitable. It rolled up their repayments into one, and provided them with a buffer during the fixed-rate period to get their finances in order – at the end of which they would be able to re-mortgage onto a shorter term. Unfortunately it seems Mr and Mrs G didn't take this opportunity – instead taking on an additional sub-prime secured loan, thus increasing their debt further.

In all the circumstances of this case, having considered everything the parties have said, I'm satisfied that the recommendation by Mortgage Matters was not unsuitable.

my decision

My final decision is that I do not uphold this complaint.

Jan O'Leary
ombudsman