

complaint

Mr and Mrs V's representative claims management company complains that they were mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Limited ("L&G").

background

Mr and Mrs V had a mortgage and contacted L&G for advice on a re-mortgage. They took a new loan with a different lender, with a five year initial fixed rate. The new loan included additional borrowing for home improvements and debt consolidation, and was over a longer term.

Mr and Mrs V's representative now says that the recommended mortgage was not suitable. It says that they should have been advised not to re-mortgage, or to contact their existing lender. It says that debt consolidation was not appropriate, and that the re-mortgage should not have happened during the early repayment charge ("ERC") period of their old loan. It also says that the term should not have been extended.

L&G says that the recommendation was suitable and met Mr and Mrs V's requirements. Our adjudicator agreed, and so Mr and Mrs V's representative wants an ombudsman to make a final decision.

my findings

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

Having done so, I have come to much the same conclusions as the adjudicator. I consider this to have been, in all the circumstances, a suitable recommendation.

Mr and Mrs V approached L&G because they wanted to raise almost £25,000 for home improvements through their mortgage. The impetus to re-mortgage came from them, because they needed to raise a large amount of capital.

Their representative says that Mr and Mrs V should have been advised to have approached their existing lender to avoid set-up fees. But it is likely that – had their existing lender been willing to lend to them – they would still have had to pay arrangement and product fees. And they would still have had to pay the broker's fee for advising and arranging a loan from the existing lender. I'm not therefore persuaded that, even had there been a suitable product available (on which I have no evidence either way), there would have been any savings.

Mr and Mrs V's representative suggests that they could have avoided the broker's fee by arranging a mortgage with their existing lender themselves. So they could, but they chose to instruct a broker to arrange the re-mortgage for them. The broker set out the fees it would charge; I'm not persuaded it had an obligation to go further and actively advise Mr and Mrs V not to use its services.

The selected loan met Mr and Mrs V's requirements to raise capital and fix their repayments. The term was extended, but given that they were borrowing more than £50,000 than before, this was not an unreasonable way of keeping the monthly payments down.

It seems to me that debt consolidation was also a requirement of Mr and Mrs V. They had a considerable amount of unsecured debt – around £25,000 spread across six credit cards and three loans. Two of the loans were recorded as having been taken out for previous consolidations – one within the last few months – and yet Mr and Mrs V still had large debts. On the evidence before me, it appears that incurring and consolidating debt was a regular financial management strategy on their part. While doing so increases costs in the long term, that does not make it inherently unsuitable, it is merely one factor to take into account. And bearing all the circumstances in mind, I'm satisfied that Mr and Mrs V wanted to consolidate their debts, and that arranging a mortgage that met that requirement was suitable.

Finally, I accept that the re-mortgage resulted in an ERC paid to the existing lender.

However, the ERC was small, and given the amount of capital that Mr and Mrs V needed to raise, I don't consider that incurring it makes the recommendation unsuitable in this case.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint.

Simon Pugh
ombudsman