

complaint

Mr H complains that Legal & General Partnership Services Limited advised him to consolidate unsecured debts with the new mortgage when he was re-mortgaging his home in 2005.

background

Mr H brings this complaint through a claims management company, M.

At the time L&G advised Mr H he had a car loan with over £9,000 outstanding. He'd also taken out a personal loan to consolidate his debts three months earlier. There was £9,500 outstanding on this debt. By adding them to the mortgage, Mr H would have to go on paying off the loans for the seventeen years of the new term.

The adjudicator couldn't find any reason why Mr H needed to consolidate the debt with his new mortgage. She recommended that L&G should repay Mr H the difference between the amount he would have paid if he'd simply continued with the loans and the amount he was liable to pay as a result of consolidating them with the mortgage. She also said L&G should refund the part of the broker's fee that relates to the debt consolidation.

L&G didn't accept these recommendations. It said that Mr H was self-employed so his income could fluctuate and that, by reducing his monthly outgoings, he would have been able to make overpayments on the mortgage.

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 agree with the adjudicator that there is very little in the standard paperwork that L&G has provided to explain what information it obtained about Mr H's needs or circumstances. Neither does it explain why he was advised to consolidate his unsecured borrowing with his mortgage, even though this meant that he'd end up paying much more in the end.

The fact that Mr H was self employed doesn't in itself give rise to a need for debt consolidation. The evidence at the time was that Mr H had no difficulty meeting the payments on the two loans along with his previous mortgage. The new mortgage had a lower interest rate so it would still have the effect of reducing his monthly payments, providing him with some protection if his income did fall unexpectedly.

I also have some difficulty in understanding the basis of advice which was in effect to increase the size of the mortgage in order to enable Mr H to make overpayments on the same mortgage. If Mr H had simply re-mortgaged without consolidating any debts, his financial position would have improved in four and a half years when he had paid off the first loan and again, in just under six years, after the second loan was paid off.

The only possible advantage to Mr H in debt consolidation was that, in the short term, he'd be paying less each month. Adding the debts to the mortgage significantly increased the amount he needed to borrow. So if there was a significant dip in his income he was more vulnerable to losing his home than he otherwise would have been. I consider that this,

combined with the increased amount to be paid over the seventeen year term of the new mortgage, cancelled out any real advantage in debt consolidation.

I agree with the adjudicator that the advice L&G gave Mr H to consolidate his unsecured debt wasn't suitable for his needs.

my final decision

I uphold the complaint. I require Legal & General Partnership Services Limited to:

- Pay Mr H the difference between the cost of repaying the loans if they hadn't been consolidated and the cost of consolidating them with his mortgage, taking into account:
 - The amount Mr H has paid in to date in capital and interest on the £18,858 borrowed to clear the two loans;
 - The amount that still falls to be paid under the mortgage on the consolidated debt;
 - The amount Mr H would have had to pay on each loan had they not been consolidated with the mortgage in 2005.
- Refund Mr H the proportion of the broker's fee attributable to the £18,858 borrowed for debt consolidation, along with simple interest of 8% a year from the date of payment of the fee until settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 24 July 2015.

Melanie McDonald
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