

complaint

Mr and Mrs S complain that they were mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Limited ("L&G").

background

Mr and Mrs S had a mortgage which was coming to the end of its fixed rate. They were advised by L&G to re-mortgage to a new fixed rate deal, and to increase their borrowings to consolidate about £20,000 of unsecured debt, made up of four separate personal loans.

Mr and Mrs S complained that the mortgage was mis-sold. By way of a provisional decision, I explained that I considered the mortgage recommendation, overall, to be suitable. However, I wasn't persuaded that part of the recommendation relating to the consolidated debt was.

I found that Mr and Mrs S had been mis-informed – they had been told that the debts would be switched to a lower interest rate, when in fact the mortgage rate was higher than the rate on each of the unsecured loans consolidated to it. I considered this to be a material inaccuracy which led to Mr and Mrs S making a decision on a false basis.

I also noted that Mr and Mrs S were in no financial difficulties and, while reducing their outgoings to one debt payment per month gave some administrative convenience, that was not enough, in the circumstances of this case, to outweigh the additional costs of securing the loans over a longer period at a higher interest rate.

L&G accepted my conclusions, and by way of a second provisional decision I set out what I considered to be the appropriate redress for the consolidated debt. I also said that I intended to direct the return of the broker fee and the payment of £500 compensation.

Both parties have now responded to that, and so I make my final decision. Mr and Mrs S's representative accepted my provisional decisions.

L&G offered alternative redress; it offered to pay the amount outstanding as at date of settlement in respect of the consolidated debt, disregarding past savings – ensuring that Mr and Mrs S can pay that to their mortgage balance and therefore not have to make future payments to the consolidated debt.

L&G also considered that it would not be fair to refund the whole of the broker fee, because the mortgage recommendation itself was suitable. As the broker fee related to the loan balance, it offered to refund the portion of the fee that related to the increased balance because of consolidation. Finally, it considered £250 compensation to be more appropriate than £500.

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 remain of the view that the mortgage recommendation was suitable, but the recommendation to include consolidated debt was not. I have considered the offer L&G has made, and I'm satisfied that it would represent reasonable redress in this case. It has the effect of wiping off the consolidated debt as at the date of settlement of this complaint, without making an allowance for the monthly savings Mr and Mrs S have made to date.

I also agree that it would be fair to require a refund of the broker fee insofar as it related to an unsuitable recommendation, but not insofar as it related to a suitable one. I therefore direct a refund of part of the fee only, being the amount the fee was increased because the loan balance was increased by the consolidated debt.

Finally, I have given further consideration to the question of compensation for Mr and Mrs S's trouble and upset. Having done so, I remain of the view that £500 is fair and reasonable. L&G materially misled Mr and Mrs S about the consequences of consolidating their debt, as a result of which they agreed to do so. Although they have not yet suffered financial loss (the losses being in the future, as a result of the much longer term), I'm satisfied that that failure would have caused them trouble and upset for which they should be compensated, and that £500 is a reasonable amount in all the circumstances.

my final decision

For the reasons I have given, my final decision is that I uphold this complaint and direct Legal & General Partnership Services Limited to:

- Pay Mr and Mrs S the amount outstanding on their mortgage balance as at date of settlement represented by the consolidated debt;
- Refund the portion of the broker fee relating to the addition of the consolidated debt to the mortgage balance, to which should be added interest at the mortgage rate to date of settlement;
- Pay Mr and Mrs S £500 compensation.

Simon Pugh
ombudsman