

## **complaint**

Mr and Mrs M (through a claims management company) have complained about unsuitable mortgage advice given by a representative of Legal & General Partnership Services Limited.

## **background**

In 2007 Mr and Mrs M were given mortgage advice by a representative of L&G. Following that advice, they took out a repayment mortgage with a new lender, over a term of 22 years with a five-year flexible discount. Mr and Mrs M were advised to consolidate their credit card debt, which they did, rolling it up into the mortgage debt.

They have now complained that the advice was unsuitable.

Our adjudicator's opinion was that advice to consolidate the credit card debt was unsuitable. Mr and Mrs M had sufficient disposable income to repay that debt and had said they wanted to clear it as soon as possible. The adjudicator thought that rolling the debt up into a 22-year mortgage was unsuitable advice.

L&G disagreed. It said that Mr and Mrs M were overpaying their new mortgage and so the debt would be cleared before the 22-year term was up. L&G says that the plan was that Mr and Mrs M were to use the £100 they'd been paying towards their credit card debt as an overpayment on the mortgage.

This, L&G argues, makes the advice suitable as they were paying off the debt in a more effective way. L&G says that the credit card debt would be repaid in just under 11 months in this way and with less interest, rather than over 12 months at a higher rate of interest than if Mr and Mrs M hadn't consolidated it.

## **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've reached the same conclusion as the adjudicator, for largely the same reason.

L&G's argument is that the £1,100 credit card debt will be repaid by the £100 overpayments to the mortgage over 11 months. But mortgages don't work in this way. Interest continues to accrue on the mortgage balance over the whole term, decreasing as capital is repaid. It's not possible to separate out from the mortgage debt that part which was consolidated and assume that this has been repaid first.

In fact the information provided by the adviser shows that at the point of sale he told Mr and Mrs M that it would cost £2,293 to repay that debt over the term of the mortgage.

Given that Mr and Mrs M's aim was to repay their debts more quickly, I'm not persuaded that rolling up short-term credit into a 22-year mortgage was suitable advice, given that they would otherwise have repaid this debt – and accrued no further interest on it – within 12 months.

In the circumstances, I'm satisfied the advice was unsuitable.

### **my final decision**

My decision is that I uphold this complaint. In settlement, I direct Legal & General Partnership Services Limited to do the following:

- Calculate the amount Mr and Mrs M have paid to date (in capital and interest payments) for the proportion of the mortgage equivalent to the consolidated credit card debt. This is the amount Mr and Mrs M have already paid. (Figure A)
- Calculate what proportion of the consolidated debt remains outstanding as part of the overall mortgage balance (including interest over the remaining term). This is the amount Mr and Mrs M will have to pay over the rest of the mortgage term. (Figure B)
- Calculate how much (including interest) Mr and Mrs M would have paid in total to clear the credit card if it had not been consolidated, assuming they had been making payments of £100 per month. (Figure C)

It shouldn't be assumed for the purpose of calculating Figure B that overpayments will continue to be made or that the term will be reduced. The calculation should be done on the basis of the contractual monthly payments and the remaining term of the mortgage.

Legal & General Partnership Services Limited must then pay Mr and Mrs M a lump sum to represent  $A+B-C$ .

Legal & General Partnership Services Limited must also reimburse that proportion of the broker fee that represents the amount of the consolidated debt, with interest at 8% simple if the fee was paid in advance or at the mortgage rate if it was added to the mortgage.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs M to accept or reject my decision before 17 August 2015.

Jan O'Leary  
**ombudsman**