

complaint

Mr and Mrs H complain that The Prudential Assurance Company Limited (“Prudential”) mis-sold them a lifetime mortgage. They complain the early repayment charge is too high. They want the early repayment charge reduced or waived.

background

Mr and Mrs H took out a lifetime mortgage with Prudential. Six years later, they decided to sell their home. Prudential sent a redemption statement, setting out the interest which was owed and the early repayment charge.

Mr and Mrs H complained to Prudential, saying the early repayment charge was too high. Prudential said the mortgage wasn't mis-sold as they were told the terms and conditions in the Key Facts document, the mortgage offer and in a meeting with the adviser. All the options were explained. They were also advised by a solicitor. The interest rate was made clear and was fixed. Prudential also said the early repayment charge wasn't too high as it was a genuine pre-estimate of its loss if the mortgage was repaid early as it borrowed the money from elsewhere at a time when the Bank of England rate was higher.

Mr and Mrs H complained to us. The adjudicator's view was that Mr and Mrs H were told clearly about the early repayment charge and were properly advised about their lifetime mortgage. She didn't uphold the complaint. Mr and Mrs H disagreed.

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 accept Mr and Mrs H aren't happy about the effects of their lifetime mortgage, and that few people would have expected interest rates to be so low for so long, though interest rates were reducing when the mortgage was taken out. Mr and Mrs H have explained their complaint is that that they didn't understand the charge at the time they took out the mortgage.

But I don't think Prudential has done anything wrong here. Mr and Mrs H were told the terms and conditions of the mortgage both in person by the adviser, and in writing several times. They were also advised by a solicitor. I think the explanations of the terms and conditions are clear. In particular, it is clear from the documents Mr and Mrs H received that the early repayment charge will be large and is affected by the Bank of England rate. The table in the mortgage offer explains that if the Bank of England rate drops, the charge will increase. The charge is capped, but it is still a large sum. Mr and Mrs H were also told that lifetime mortgages are meant to be long-term.

my final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs H to accept or reject my decision before 27 July 2015.

Claire Sharp
ombudsman