

complaint

Mr and Mrs G complain that Bradford & Bingley Plc mis-sold them ISA investment products as a means of paying off their interest only mortgage.

background

Mr and Mrs G invested £40,000 each in ISA's in 2000 on the advice of B&B as a repayment vehicle for the interest only mortgage they had taken out with B&B earlier. They complained to B&B about the ISA's in 2015 as they felt they hadn't been suitable for their needs in 2000. They said B&B hadn't explained to them the risks of this strategy to pay off their mortgage. B&B upheld their complaint because it accepted that Mr and Mrs G may not have been aware of the risks and it wasn't sure the products had been suitable for their needs at the time. But when it calculated their financial loss, it found they hadn't lost money as a result of the advice. Therefore it didn't offer them compensation.

Mr and Mrs G weren't happy with this so they brought their complaint to this service. The adjudicator who investigated the complaint thought it shouldn't be upheld as she felt the financial loss had been calculated correctly. So Mr and Mrs G asked for review by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. B&B has accepted that the products may not have been suitable for Mr and Mrs G, so I only need to consider whether or not compensation is due to them.

The financial regulator, the Financial Conduct Authority (FCA), has laid down a standard approach for calculating compensation in cases like this in its guidance, "Handling Mortgage Endowment Complaints" (sometimes referred to as a Regulatory Update 89 or RU89 calculation). The guidance provides that Mr and Mrs G are entitled to be put in the position they would have been in, so far as is possible, had Bradford & Bingley not recommended this unsuitable product. In other words Mr and Mrs G should be put back in the position they would have been in if their mortgage had been arranged on a repayment basis in 2000.

This is the redress calculation that B&B carried out. But the result showed that Mr and Mrs G were around £500 better off than they would have been if they'd taken out a repayment mortgage in 2000. This meant that no financial compensation was due.

I understand that Mr and Mrs G feel that the calculation unfairly took into account the overpayments they made on their interest only mortgage. They feel this penalises them for their financial prudence. It's impossible to know exactly how Mr and Mrs G would have managed their payments on a repayment mortgage. But, having carefully considered their arguments, I believe that it's reasonable to carry out the calculation based on the assumption that they would have been equally prudent if they'd taken out a repayment mortgage. Therefore I don't think B&B was wrong to take the overpayments into account in its calculations.

Mr and Mrs G have said they felt B&B was telling them they should surrender their ISA's. I haven't seen any evidence of that. A 'surrender value' is used in the redress calculation but this doesn't mean they need to surrender the ISA's unless they want to. As they are now

aware of the risks associated with their interest only mortgage and ISA's, they may want to take independent advice as to the best course of action for them.

I know this isn't the outcome Mr and Mrs G had hoped for, but I hope they'll understand why I've reached this conclusion.

my final decision

For the reasons given above, it's my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 19 February 2016.

Susie Alegre
ombudsman