## complaint

Mr and Mrs O complain that a representative of CT Capital PLC gave them unsuitable advice about a mortgage. They ask for compensation.

## background

Mr and Mrs O had a mortgage, a secured loan and unsecured debts. They wanted to reduce their monthly debt payments and, in 2006, asked CT Capital for advice. CT Capital recommended they take out a repayment mortgage of about £118,000.

Mr and Mrs O used about £52,000 of the mortgage loan to repay their existing mortgage, £30,500 to repay a secured loan and about £12,000 to repay unsecured debts. The loan included about £3,000 for mortgage arrangement fees and £13,500 for payment protection insurance premiums. The rest was intended for home improvements. The property was valued at £170,000.

Mr and Mrs O were unable to maintain payments and their mortgage account fell into arrears. They sold the property in 2014. A says the mortgage was unsuitable as:

- It was not affordable. Mrs O had just started a new role. CT Capital over estimated her income (using the wrong hourly rate and including overtime) when assessing affordability.
- The recommendation to consolidate unsecured debts was unsuitable. It made the debt more expensive overall. Given Mr and Mrs O's past payment problems, CT Capital should have told them to negotiate with their unsecured creditors.
- The broker fee was excessive. CT Capital did not explain the costs of adding it to the mortgage loan.

The adjudicator did not recommend that the complaint should be upheld. She said:

- Mr and Mrs O's mortgage account did not fall into arrears until two years after the mortgage was taken out, when Mrs O was out of work. Before this the mortgage was affordable. The adjudicator said the arrears were due to unemployment and ill health.
- The fees were set out in the mortgage documents and the adviser made Mr and Mrs O aware of them during a call.
- Mr and Mrs O told CT Capital they were struggling to make payments towards their unsecured debts. Although more expensive overall, consolidating the unsecured debts reduced Mr and Mrs O's monthly payments by nearly £200 and allowed them to borrow for home improvements.

Mr and Mrs O did not agree. On their behalf A said Mr and Mrs O were experiencing short term financial difficulties. They agreed to CT Capital's recommendation without understanding the long term consequences of debt consolidation or that they could have negotiated a plan with their creditors until their financial situation improved. A said while not the only cause of their difficulties the mortgage payments stretched them and its affordability was based on insufficient information. In particular, CT Capital over valued Mrs O's income.

**my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

CT Capital recommended the mortgage. So it had to comply with the rules in the Mortgage Conduct of Business sourcebook (MCOB) for advised sales – such as obtaining all relevant information and ensuring any mortgage it recommends is suitable for the customer's needs and circumstances.

The documents produced at the time of the sale say Mr and Mrs O wanted to raise additional capital for home improvements. They also wanted to consolidate their outstanding debts into one monthly payment of less than a certain amount.

*Affordability*

Mrs O had recently started a new role and was on probation. CT Capital responded to the concerns raised by A. It confirmed that it assessed Mrs O's income using the lower hourly rate she received during the probationary period and did not include overtime. I am not persuaded from the evidence that CT Capital failed properly to assess that the mortgage was affordable.

Mr and Mrs O's mortgage account fell into arrears in early 2009 when Mrs O was not working. They cleared the arrears but fell into arrears again in late 2012 due to health issues. I am not persuaded the arrears show the mortgage was not affordable in 2006. Mr and Mrs O maintained payments for over two years. I have not seen anything to persuade me they would not have continued to do so if both Mr and Mrs O had been able to work.

*Debt consolidation*

Mr and Mrs O were finding it hard to meet their unsecured debt payments. They wanted to reduce their monthly debt payments and make a single monthly payment. They also wanted to raise additional money for home improvements.

I find it unlikely Mr and Mrs O would have been able to re-mortgage and raise additional money on terms they were happy with if they entered into payment plans with their unsecured lenders. It seems they had already approached an existing lender, which said it would not increase their loan.
While consolidating the unsecured debt into the mortgage meant it was repaid over a longer term, this allowed Mr and Mrs O to achieve their main aims. I find the recommendation was suitable.

I am not persuaded from the available evidence CT Capital explained the consequences of consolidating the debt – in particular the increased cost – clearly enough. I consider it unlikely it would have made a difference to the outcome if it had done so. Given Mr and Mrs O's financial position, I find it likely they would still have continued with the mortgage recommendation.

Overall, I find the mortgage recommended by CT Capital met Mr and Mrs O's aims and was suitable for them.

**my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs O to accept or reject my decision before 13 August 2015.

Ruth Stevenson
**ombudsman**