

complaint

Mr and Mrs M complain that Legal & General Partnership Services Limited mis-sold them a mortgage. In particular, they complain that the advice to re-mortgage when they would incur an early repayment charge (ERC) on their existing mortgage and to consolidate their unsecured debts wasn't suitable for them.

background

Mr and Mrs M received advice on their finances from L&G in December 2006. At the time, they had three existing mortgages, part on a repayment basis and part on an interest only basis. Those mortgages were on a fixed rate of 5.04% for another year and had a term of around 13 years remaining. They also had credit card debt on two cards of around £11,700 as well as a hire purchase loan for around £11,900 at an interest rate of 5.6% over 53 months and another for £1,080 at 0% over 22 months. In addition, they had an overdraft of £750. It seems they had problems getting credit in the past and had a history of mortgage arrears.

The adviser recommended consolidating all their debts into a new mortgage over a 20 year term with a 5 year fixed rate of 5.49%. This meant they'd have to pay a little over £1,000 to leave their existing mortgage early and the costs of the debt overall would increase. But the new arrangement would reduce their monthly payments.

In 2016, Mr and Mrs M's representative complained to L&G that the mortgage advice was unsuitable because of the increased costs, the timing and the inappropriate consolidation of their debts. L&G investigated but found the advice had been suitable. So Mr and Mrs M's representative brought it to this service. Our adjudicator looked into the complaint but she wasn't persuaded the advice was unsuitable overall so they 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. Having taken account of the overall picture of Mr and Mrs M's circumstances, I don't think the advice was unreasonable overall and I'll explain why.

Although some elements of the advice taken alone might appear questionable, I need to consider all the circumstances to assess whether or not the advice was suitable. The advice meant Mr and Mrs M had to pay an ERC on their existing mortgage which they could've avoided if they'd waited another year. But at the time, Mr and Mrs M had already had problems getting credit and had a history of arrears. The new mortgage reduced their monthly outgoings and the amount of interest only debt. It also gave them a degree of certainty about their monthly outgoings. The costs over time may have been higher, but the advice to change mortgage at that time may have made it easier for them to manage their finances on the short term and get some breathing space to be sure they'd be able to pay off the debt at the end of the term.

Mr and Mrs M's representative has questioned the suitability of consolidating unsecured debt with 0% interest. In general this may not be advisable, but the information I have indicates they weren't paying anything off that debt on a regular basis so the full amount would've been due at the end of the term. In one way or another, the debt would need to be paid off or

would be likely to attract a higher rate of interest over time. Taken as part of the whole picture, I don't think the advice was unsuitable in the circumstances.

Overall, taking into account Mr and Mrs M's circumstances and their desire for certainty and reduced outgoings on the short to medium term, I don't think the advice was unsuitable.

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 M to accept or reject my decision before 3 May 2017.

Susie Alegre
ombudsman