

complaint

Mr L1 and Mr L2 complain that a mortgage was mis-sold to them by a representative of Intrinsic Financial Services Limited.

background

In 2007 Mr L1 took out a mortgage with a building society after receiving advice from a representative of Intrinsic. Mr L1's father, Mr L2, joined in the mortgage as guarantor.

Mr L1 and Mr L2 have now complained that the mortgage was mis-sold. Originally Mr L1 complained to us in his sole name. His complaint was as follows:

- when he met with the adviser he was given no details of the mortgage at all;
- he wasn't given a business card with the adviser's contact details;
- he received no Key Facts Illustration, nor any other documentation about the mortgage;
- he was only told about an interest-only mortgage with no explanation about how the capital was to be repaid;
- he was given no advice about repayment mortgages;
- he wasn't told the term of the mortgage;
- no explanation was given of what a guarantor was;
- the adviser filled in the forms and he was told to sign them;
- when he received the mortgage offer the adviser asked him to sign it and it was sent off without any explanation of its terms;
- it was only in 2015 that he saw the mortgage offer for the first time and was told it was for a repayment mortgage;
- the adviser switched this to interest-only without his knowledge or consent;
- the standard of service he received was terrible;
- the adviser has now gone out of business;
- he believes he was conned into taking out the mortgage;
- he wants the maximum compensation of £150,000.

Intrinsic didn't uphold the complaint, so Mr L1 brought it to us. At this point, the adjudicator noted that Mr L2 was guarantor, so he has now joined in the complaint jointly with his son, Mr L1.

The adjudicator didn't recommend the complaint should be upheld. He noted that the mortgage had been applied for – and completed – on a repayment basis. Later Mr L1 wrote to the building society and asked it to convert the mortgage to interest-only.

The adjudicator also learned that Mr L2 was in fact the adviser who sold the mortgage. So the adjudicator wasn't persuaded the mortgage was mis-sold. The adjudicator concluded that the purpose of the complaint appeared to be to claim compensation from the organisation of which Mr L2's business had been an authorised representative before it ceased trading.

Mr L1 and Mr L2 disagreed. In summary, Mr L2 has confirmed that he didn't follow the correct process and mis-sold this mortgage to his son and himself. Mr L1 says that it makes no difference that Mr L2 was related to him, he is entitled to compensation from Intrinsic for the poor advice he received from his father.

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 done so, I agree with the adjudicator's conclusions, for largely the same reasons.

Mr L2, guarantor on the mortgage, was also the adviser who sold it. Mr L2 says that he didn't follow the correct process when selling the mortgage to Mr L1 and himself. So he and Mr L1 are claiming compensation of £150,000 for the advice he provided to himself and his son to take out a mortgage which they now say is unsuitable. This would be used to repay most of the capital outstanding.

In this respect I can't ignore the fact that the role of Mr L2 in this transaction wasn't immediately disclosed by Mr L1. His initial complaint referred to 'the adviser' and made no mention of any family connection or that the adviser was also the guarantor under the mortgage.

Mr L1 also said that he wasn't given a business card with contact details by the adviser – but as they were living in the same family home at the time the advice was given, I find this point to be somewhat disingenuous. The full facts about Mr L2's role in this matter weren't presented to us or to Intrinsic at the outset. It's a matter of concern to me why this important information wasn't disclosed at the start, particularly considering the potential benefit to Mr L2 if Intrinsic had upheld the complaint.

Mr L1 says he wasn't given any advice about repayment mortgages, just interest-only. But that isn't borne out by the evidence. Mr L1 and Mr L2 made a joint application for a repayment mortgage. So there was no need for Mr L1 and Mr L2 to have been given any advice about various methods to repay capital for an interest-only mortgage, as the advice given was about a repayment mortgage.

The term of the mortgage is set out clearly in the mortgage offer, and this will also be shown in the annual mortgage statements sent to Mr L1 by his mortgage lender.

Although Mr L1 said he was unaware of any connection between the mortgage adviser and Intrinsic, Mr L2 knew about it. And the mortgage offer states quite clearly that Mr L2 in his capacity as mortgage adviser was acting as an authorised representative of Intrinsic.

Mr L1 changed the type of mortgage from repayment to interest-only after completion. This is a matter solely between him and the building society.

Overall the available evidence doesn't persuade me this mortgage was mis-sold. It seems Mr L1 and Mr L2 relied on advice from Mr L2 to take out a repayment mortgage. The inclusion of Mr L2 as a guarantor was reasonable for a first-time buyer in Mr L1's position. It offers Mr L1 security, because Mr L2 is equally liable for the repayments if Mr L1 is unable to maintain them.

Mr L1 will need to think about how he will repay the capital at the end of the term. He has 17 years to put in place a repayment plan, so there is still time for him to set up and maintain an effective repayment strategy. Mr L1 might want to take advice from an independent and impartial financial adviser about this.

It seems Mr L1 feels very strongly that he has been let down by his father. I appreciate this must be a difficult situation for him. But if Mr L1 believes he was "*conned*" into taking out the mortgage by Mr L2, then he will need to take that up with the police.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L1 and Mr L2 to accept or reject my decision before 15 February 2016.

Jan O'Leary
ombudsman