

complaint

Through their representative, a claims management company, Mr and Mrs J complain that they were mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Ltd ("L&G").

background

Mr and Mrs J had a mortgage. They received advice in 2006 on a re-mortgage from L&G, as a result of which they switched lender, borrowed a small amount of additional capital, and consolidated about £14,000 of unsecured personal debt. They transferred from a variable rate to a three year fixed rate.

Mr and Mrs J now complain that the mortgage was mis-sold. They say that there was no need to switch, that they should have been advised to remain with their existing lender, and that the mortgage that was recommended was not the least expensive. They say that debt consolidation was more expensive in the long term, and so not suitable, but that that was not explained to them at the time. They say that no additional capital needed to be raised, and so too much was borrowed. And they say that the fees were excessive and added to the loan.

L&G says that the recommended mortgage was suitable for their needs and that Mr and Mrs J were fully informed and advised and chose to proceed. Our adjudicator didn't recommend upholding the complaint and so it comes to me for a final decision to be made.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr and Mrs J's representative says that their motivation in taking advice from L&G was to get a better interest rate and to consider debt consolidation, thereby lowering their monthly outgoings.

That is what is also recorded as Mr and Mrs J's objectives in L&G's file from the time. And the resulting mortgage achieved those objectives. They moved from a variable rate to a fixed rate at a slightly lower interest rate. Although their mortgage payments went up, this was because the amount borrowed increased – overall, their monthly outgoings reduced.

I'm therefore satisfied that the recommended mortgage was suitable for Mr and Mrs J's expressed aims and objectives. It was not the cheapest on the sourcing list, but the adviser recorded at the time that the cheaper loans were not available to them because of their income and expenditure. I have no evidence suggesting that this is not correct, and so while it may not be the cheapest loan on the list, it appears to be the cheapest one that Mr and Mrs J qualified for.

Mr and Mrs J's representative says that they were not advised to consult their existing lender, which would have been a cheaper and more suitable option. But I'm not persuaded that L&G was obliged to give this advice, even if it was correct – I don't have any evidence about what products their existing lender had available at the time or whether Mr and Mrs J were eligible for them.

I agree that debt consolidation can be more expensive, taken over the long term, and secures it to the property. But it also, generally, results in lower outgoings each month in the short term.

As to whether debt consolidation is suitable advice in any particular case, that will depend on the individual circumstances, including whether the balance is in favour of lower outgoings or lower payments overall.

In this particular case, the impetus towards consolidation came from Mr and Mrs J. It is said by their representative that this was one of their objectives in taking advice from L&G. They had a considerable amount of unsecured debt (amounting to not much less than their net annual income) spread across a number of credit cards and loans. The client review says that their previous mortgage was for £42,500 but the current balance, two years on, was £66,000 – suggesting to me that they had borrowed a significant extra sum on their mortgage in the intervening time as well. Both the personal loans also had start dates of less than a year earlier than this mortgage advice, and one of them is said to have been taken out for debt consolidation.

Mr and Mrs J's outgoings as recorded in the client review exceeded their income. Their representative disputes the figures, saying that they did have some disposable income. But even if that is correct, their indebtedness had increased sharply in the previous two years and they had consolidated debt at least once before but still had significant debts.

I note that some of the credit cards were on 0% interest rates. It is said in the client review that one of the personal loans was as well, but I'm not convinced about that; the loan duration and monthly payments add up to more than the amount borrowed. Consolidating debt is generally more expensive over the long term, and this is particularly true of debt at 0%. But while this is a factor to take into account, it doesn't make consolidation inherently unsuitable.

I'm satisfied that Mr and Mrs J were in considerable debt and wanted to consolidate again and that it was a key objective in taking advice from L&G. Mr and Mrs J were given adequate warning of the drawbacks, and so I'm satisfied the recommended mortgage met their objectives and was suitable.

Mr and Mrs J's representative complains that the fees were added to the loan. It is not uncommon for product and broker fees, where incurred, to be added to the loan and I haven't been shown a particular reason why doing so was unsuitable in this case. While the fees may have been at the upper end of what broker's charged, they were adequately explained and Mr and Mrs J chose to proceed and incur them.

Finally, Mr and Mrs J's representative also says that there was no need to raise capital on the mortgage and that too much was borrowed. If that was the case, Mr and Mrs J could have queried the amount of the loan in the offer. Alternatively, if they didn't want the money, they could have paid it back to avoid paying interest on it in the long term. Although overpayments (at least, penalty free ones) were restricted to an annual window, they were possible. But I have no evidence that Mr and Mrs J sought to do this. There is an obligation to mitigate losses, and in light of that and the fact that Mr and Mrs J have had the benefit of the additional funds I don't uphold the complaint in this respect.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint.

Simon Pugh
ombudsman