

complaint

Mr and Mrs T complain – through their representative - that Sesame Limited mis-sold their mortgage.

background

In December 2005 Mr and Mrs T consulted White Rose Consultancy, an authorised representative of Sesame, in order to obtain a mortgage for a property they wished to buy. As a result of Sesame's advice, in April 2006 they took out an interest-only mortgage for £129,200 over 25 years with an initial three-year period. The mortgage offer required them to pay off £18,961 of unsecured debt.

In 2013 they brought a complaint to Sesame about mis-sale on a number of grounds:

- Advised to consolidate unsecured debt to the interest-only mortgage, thus reducing their available deposit for the purchase – despite their being about to inherit £50,000.
- Could not make a capital repayment with the inheritance because of the early repayment charge for the first three years of the mortgage.
- No repayment vehicle.
- Broker and procurement fees.

They assess their loss at over £45,000 over the 25-year term of the mortgage.

As White Rose had ceased trading, Sesame could not provide its broker file – though it has provided the application for Mr and Mrs T's previous repayment mortgage with another lender in 2004.

The adjudicator did not recommend that the complaint be upheld. Mr and Mrs T were selling an existing property, so they could have used the proceeds of sale to pay off their existing debts. Even though they alerted Sesame to an impending inheritance following the recent death of a family member, it is not clear when the inheritance was actually due nor that it would be used to pay off existing debts. The previous application form of December 2004 refers to an inheritance of over £100,000 due within the next five years, so at that time it was not immediately available to pay off unsecured debts or go towards the purchase of the new property – which might have avoided the higher lending charge (HLC) on the mortgage.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken careful note of the further representations put forward on behalf of Mr and Mrs T since the adjudicator's letter. They maintain that debt consolidation was always part of the mortgage process. The sale of their existing property took place on 10 February 2006 and the purchase of the new property on 10 April 2006. The £50,000 inheritance was due from a family member who had recently died. They have no knowledge of the reference to an alleged £100,000 inheritance.

I note that, on receipt of any inheritance, from April 2009 they could then have reduced their mortgage outside the three-year ERC period, but in fact they used the inheritance to assist another family member's care costs, not to reduce the mortgage.

As there was a short time between the sale of their existing property and the purchase of the new property, Mr and Mrs T could have used the proceeds of sale to pay off their unsecured debts if there was sufficient equity remaining after they had redeemed the previous mortgage. This would have removed the condition to do so from their new mortgage offer – which might have removed the HLC and/or reduced the interest rate by improving the loan-to-value. They chose an interest-only mortgage in order to obtain a larger mortgage for a more expensive property – which was not an unsuitable recommendation from Sesame. They planned to use the inheritance as part of a repayment vehicle for the mortgage.

Details of the broker and procurement fees were set out in the mortgage offer – and Mr and Mrs T candidly admit that they did not study those details because there was a short timetable for the purchase of their new property.

For all these reasons I am satisfied that Sesame did not mis-sell the mortgage. It was wholly appropriate to their stated needs and requirements.

my final decision

My final 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 T to accept or reject my decision before 2 April 2015.

Charles Sweet
ombudsman