

complaint

Mr and Mrs S through their representative BF complain that the appointed representative ("A") for Legal & General Partnership Services Limited ("L & G") mis-sold them a mortgage and gave poor advice about debt consolidation. They want compensation.

background

Mr and Mrs S took advice from A in 2006. It advised them to consolidate their debts and remortgage. BF said the mortgage was mis-sold and it wasn't good advice to consolidate the debt. It also said the ASU policy sold to them made Mr and Mrs S consolidate their debt.

BF complained to L & G. It said Mr and Mrs S's mortgage in place at the time was partly on an endowment basis, and they were concerned they wouldn't have enough money to pay the mortgage when it ended. The mortgage recommended by A was a repayment mortgage, which ensured it was paid in full when it ended. It had a lower interest rate and allowed Mr and Mrs S to deal with their debts. L & G pointed out that an earlier complaint had been made about the ASU policy and had been redressed in 2013.

BF complained to us. The investigator's view was that she didn't think the mortgage was mis-sold to Mr and Mrs S. They were clearly concerned about how to pay their mortgage when it ended, so moving to a repayment basis made sense. She noted the interest rate was lower than the previous mortgage, but it increased the monthly mortgage payment. This meant Mr and Mrs S would've struggled to pay the monthly repayments on the debts which were consolidated if they hadn't used part of the new mortgage to repay them. The investigator didn't think the ASU policy caused the debt consolidation.

BF disagreed. It said the previous mortgage balance included the ASU policy, and showed the historic practices of A. It pointed out Mr and Mrs S had lots of life insurance with L & G, which used up their disposable income. BF said the mortgage term didn't have to be shortened. The investigator said that the insurance was linked to the endowment policy and it was worthwhile to keep paying them to get the lump sum at the end.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm satisfied on the basis of the evidence before me that the mortgage recommended by A wasn't mis-sold to Mr and Mrs S. It's clear from the notes signed as correct by them that they were understandably concerned about ensuring their mortgage was paid when it ended. Endowment policies weren't producing the returns consumers hoped for, and moving to a repayment mortgage, if affordable, was a sensible suggestion. Given the income and spending of Mr and Mrs S, the repayment mortgage recommended was affordable if their debts were dealt with at the same time.

BF has said the mortgage term didn't have to be reduced. I agree. But it's clear Mr and Mrs S wanted to do so, and they saved a significant amount of interest as a result. There's no evidence before me that A was trying to ensure Mr and Mrs S were over-insured with L & G, or that their insurance payments caused the need to consolidate debts.

But while the interest rate was lower than the previous mortgage, the monthly mortgage payment did increase as the new mortgage was entirely on a repayment basis and for a shorter term. This meant Mr and Mrs S might've struggled to repay their unsecured debts, including their overdrafts and car loan. I see A gave clear advice in writing to them about debt consolidation. Mr and Mrs S chose not to consolidate all their debts, which in my view showed that they understood the advice and made an informed choice. I can't say the advice to consolidate the selected debts was inappropriate in the circumstances.

And I don't think the ASU policy was the reason Mr and Mrs S consolidated debt – it's clear it was linked to the overall review of their financial position and the decision to move their mortgage to an entirely repayment basis for a shorter term.

my final decision

My final decision is that I don't uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 3 April 2017.

Claire Sharp
ombudsman