complaint

Mr M complains that the mortgage and debt consolidation recommended by Brunswick Homeloans was unsuitable and unaffordable. Mr M asks for compensation.

background

In early 2011 Mr M took out a mortgage for £111,000 with a 14 year term. The mortgage was recommended by Brunswick. Mr M used the money to repay his previous mortgage and to repay or meet outgoings related to unsecured debts.

Mr M says Brunswick inflated his income. He says it told the lender his income was £35,700. His actual income was about £27,000. Mr M says his expected retirement age was 65, not 70 as set out in the mortgage application. The mortgage term was due to end in 2025 when he would be 69. Mr M says Brunswick didn't check he could afford the mortgage after he retired.

Mr M says Brunswick's advice about consolidating his unsecured debt was unsuitable. The mortgage proceeds weren't sufficient to repay all his unsecured debts. Mr M says he could have entered into repayment arrangements to repay his unsecured debts at £1 per month. If he'd done this and stayed with his previous mortgage lender when he was made redundant in late 2012 he could have used his redundancy payment to repay his mortgage.

Mr M says he struggled with unaffordable debt repayments after taking out the mortgage recommended by Brunswick. In late 2014 Mr M's mortgage fell into arrears. The lender started repossession proceedings.

The adjudicator didn't recommend that the complaint should be upheld, saying:

- Brunswick made an error when it submitted the mortgage application form to the lender. It duplicated part of his income. While it noted this on the application form, the application was submitted electronically without the correction.
- The mortgage lender said it wouldn't have offered the mortgage if it had correct information about Mr M's income. But it was likely that Brunswick would have sourced a mortgage from another lender and that Mr M would have accepted this.
- The purpose of debt consolidation is to lower monthly payments. While Mr M wasn't able to repay all his unsecured debts the re-mortgage did lower his monthly debt payments.
- Mr M was able to maintain payments for several years, suggesting the mortgage was affordable.
- It wasn't certain that Mr M would have been better off if he'd entered into a payment plan or bankruptcy instead of re-mortgaging.
- Mr M's circumstances changed after taking out the mortgage. While Brunswick made errors with the mortgage application, this hadn't put Mr M in a worse financial position. His financial difficulties weren't caused by the mortgage.

Mr M didn't agree. He provided information about his financial circumstances in early 2011, including his credit report and a list of unsecured debts totalling nearly £70,000. He said he wasn't able to repay all of his unsecured debts from the mortgage proceeds. Mr M provided information about his monthly outgoings which he says shows the mortgage wasn't affordable. He says he had to use credit cards to pay for his mortgage, utilities and home insurance.

Brunswick also disagreed, saying it recorded Mr M's income correctly based on Mr M's P60 and payslips. It said the lender asked for proof of income and assessed the mortgage as affordable. Brunswick said Mr M's retirement age would have been discussed and was recorded as 70 consistently in the documents, some of which were signed by Mr M.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr M provided information about his circumstances since he took out the mortgage. He was made redundant and has mental health problems. He says he's been in financial difficulties since taking out the mortgage. While I sympathise with Mr M's situation, here I must look at how Brunswick assessed his circumstances when it recommended the mortgage.

Before it recommended the mortgage, Brunswick had to obtain all relevant information and ensure the mortgage was suitable for Mr M's needs and circumstances. I'm satisfied that Brunswick did a fact find and asked for copies of relevant documents, such as pay slips and bank statements.

Affordability

Brunswick asked for information about Mr M's income and expenditure. It has copies of Mr M's payslips, his P60 and an annual statement for his pension income. These showed Mr M had a net monthly income of £1,750. Brunswick asked about Mr M's outgoings and did a credit check. It did an affordability calculation. I'm satisfied that it took appropriate steps to assess the affordability of the mortgage.

From what Mr M has said, his financial problems are related to the cost of the mortgage and unsecured debts. I've considered this further below.

The error in the mortgage application form

There was an error in the mortgage application form that Brunswick submitted to the lender which meant Mr M's income appeared to be higher than it was. While Brunswick says it sent evidence of Mr M's correct income to the lender the lender says it didn't receive it. The lender says it wouldn't have offered the mortgage if it had known the correct income. But, even if Mr M didn't meet this lender's criteria, I don't think this means the mortgage was unaffordable.

I think it's likely Brunswick would have been able to source a mortgage elsewhere and Mr M would have accepted this. I think it's unlikely this would have been on better terms than the mortgage it recommended, which is with a high street lender. So I don't think Mr M suffered a loss due to the error.

Retirement age

The fact find and other documents give Mr M's anticipated retirement age as 70. The mortgage term was intended to end before this, so I don't think Brunswick needed to assess whether the mortgage was affordable after Mr M retired. While Mr M says his employer required him to retire at 65, the available evidence doesn't support this. Based on the available evidence, I think its likely Mr M told Brunswick he intended to retire at 70.

Debt consolidation

The available evidence suggests Mr M was struggling with his debt payments in early 2011. The fact find says consolidating debts was a priority for Mr M. A note on the fact find says Mr M had negotiated with his creditors and agreed to repay his debts at a discount.

Mr M says he told Brunswick he didn't want to re-mortgage. He says he took advice from debt counselling services and wanted to remain with his previous mortgage lender and agree repayment plans for his other debts. He says this would have meant interest on his unsecured debts would be frozen and he'd have been able to repay the balance of his mortgage from his redundancy payment.

Mr M provided a letter showing he contacted a debt counselling service in early 2011. But he hasn't provided evidence that this was taken any further. There's no letters about the advice he says he received or correspondence with creditors asking them to freeze interest and offering repayment plans. While Mr M says Brunswick pressured him to re-mortgage despite him saying this wasn't what he wanted, the available evidence doesn't support this.

Brunswick expected part of the mortgage proceeds to be used to repay unsecured debts. Its affordability calculations show monthly payments for unsecured debts would reduce from £1,390 to £254 as a result of the debt consolidation.

The calculations show that while Mr M's mortgage payments would increase from £639 to £847, overall his total monthly debt repayments would reduce by about £900. This would leave about £650 each month after debt payments. Based on the available evidence, I don't think Brunswick's recommendation to consolidate the debt was unsuitable.

While Mr M has explained why he didn't use all of the available proceeds to repay debt, I don't think it's reasonable to say that Brunswick is responsible for Mr M's decision.

Mr M says he could have agreed repayment plans with his creditors to allow him to repay £1 per month, but it's not certain that his creditors would have agreed to this. Brunswick's calculations suggested Mr M's debt repayments would be affordable after the debt consolidation. In the circumstances, I don't think it's reasonable to say that Brunswick should have advised him to apply for bankruptcy or an IVA instead of re-mortgaging.

Mr M's redundancy payment

Mr M's mortgage fell into arrears in 2014. Mr M received a redundancy payment in late 2012 of about £72,000. He says this would have been enough to repay his previous mortgage. But Brunswick didn't know that Mr M would be made redundant, so it couldn't take this into account when recommending the mortgage.

I don’t think it was unreasonable for Brunswick to recommend the mortgage, based on the information available to it at the time.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 15 March 2017.

Ruth Stevenson
ombudsman